92-2265

A	AMERICAN HEALTH SERVICES CORP	10Q	03-31-92
B	AMERICAN SOUTHWEST FINANCE CO INC	10Q	05-31-92
C	BF ENTERPRISES INC	10Q	03-31-92
D	CAPITAL RESERVE CORP	10Q	03-31-92
E	CERNER CORP	10Q	03-31-92
F	CNL FINANCIAL CORP	10Q	03-31-92
G	FIRST INTER-BANCORP INC	10Q	03-31-92
H	GUARANTY NATIONAL CORP	10Q	03-31-92
I	HOME INTENSIVE CARE INC	10Q	03-31-92
J	MASTER VENTURES INC	10Q	03-31-92
K	MONITERM CORP	10Q	03-31-92
L	PUBLIC STORAGE PROPERTIES XI INC	10Q	03-31-92
M	RADIATION SYSTEMS INC	10Q	03-31-92
N	RINGER CORP	10Q	03-31-92
O	SPARTA INC	10Q	03-31-92
P	TENNANT CO	10Q	03-31-92
Q	UNIVERSAL INTERNATIONAL INC	10Q	03-31-92
R	VALLEY FORGE SCIENTIFIC CORP	10Q	03-31-92
S	WESTBRIDGE RESEARCH GROUP	10Q	05-31-92

SEC-File™ is published by Q-Data Corporation, 3230 Bennett Street North, St. Petersburg, FL 33713. Copyright ©1992. All rights reserved. Duplication of this microfiche in its entirety is prohibited. Q-Data Corporation does not guarantee the accuracy, currency, or completeness of any material reproduced herein. All reports are offered for historical purposes only, and not in connection with an offer to sell or a solicitation of an offer to buy any securities of any company. Reports reproduced herein may or may not be complete or identical to reports filed with the Securities & Exchange Commission (S.E.C.) or other regulatory agencies. NO REPORT SHOULD BE RELIED ON WITHOUT VERIFYING ITS COMPLETENESS AND ACCURACY WITH THE REPORTING COMPANY OR THE S.E.C. Q-DATA MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE FOR ANY Q-FILE OR SEC-FILE MICROFICHE OR DOCUMENT INCLUDED THEREIN.

O 20587
Q- 35610

19

RECD S.E.C.
MAY 20 1992
140

BEST COPY AVAILABLE

92 15 1266

192-2265

PROCESSED BY
19-18
MAY 22 1992

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

L3Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 1[illegible] SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ________ TO ________

Commission File Number 0-14380

American Health Services Corp.
(Exact name of Registrant as specified in its charter)

Delaware	52-1278857
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4440 Von Karman, Suite 320, Newport Beach, CA	92660
(Address of principal executive offices)	(ZIP Code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Registrant's telephone number, including area code 714/476-0733

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and; (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

The number of shares outstanding of the Registrant's common stock as of April 30, 1992 was 9,780,232 shares of common stock, par value $0.03.

The number of pages in this Form 10-Q is 19.

American Health Services Corp. and Subsidiaries

INDEX

PAGE

PART I -- FINANCIAL INFORMATION

ITEM 1. Financial Statements

Consolidated Balance Sheets, March 31, 1992, and December 31, 1991 3-5

Consolidated Statements of Operations, for the three months ended March 31, 1992 and 1991 6

Consolidated Statements of Cash Flows, for the three months ended March 31, 1992 and 1991 7-8

Notes to Consolidated Financial Statements 9-10

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 11-15

PART II -- OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K 16

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

American Health Services Corp. and Subsidiaries
Consolidated Balance Sheets
March 31, 1992 and December 31, 1991

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
Current assets		
Cash	$ 1,832,007	$ 3,637,465
Accounts receivable, net of allowance for doubtful accounts of $855,105 and $1,068,813 at March 31, 1992 and December 31, 1991, respectively, and an allowance for professional fees of $1,321,040 and $1,278,038 at March 31, 1992 and December 31, 1991, respectively	7,447,642	8,632,403
Prepaid expenses	2,096,100	1,611,740
Equipment deposits	1,507,518	1,172,263
Note receivable	448,889	360,700
Total current assets	13,332,156	15,414,571
Property and equipment, at cost, net of accumulated depreciation and amortization of $6,370,804 and $5,992,508 at March 31, 1992 and December 31, 1991, respectively	18,310,132	16,622,434
Other assets	4,069,734	3,585,236
	$35,712,022	$35,622,241

The accompanying notes are an integral part of these consolidated balance sheets.

American Health Services Corp. and Subsidiaries
Consolidated Balance Sheets
March 31, 1992 and December 31, 1991

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	March 31, 1992 (Unaudited)	December 31, 1991
Current liabilities		
Accounts payable and accrued expenses	$ 2,002,313	$ 3,633,969
Accrued payroll and related costs	602,038	503,234
Professional fees payable	392,932	334,596
Center profit distributions payable	335,851	621,806
Current portion of capital lease obligations	292,834	295,886
Current portion of long-term debt	2,138,485	2,237,492
Current portion of deferred rent expense	377,488	328,707
Total current liabilities	6,141,941	7,955,690
Capital lease obligations	458,099	527,108
Deferred rent expense	381,087	391,036
Long-term debt	20,879,499	18,875,913
Minority interest	1,330,153	1,585,856

The accompanying notes are an integral part of these consolidated balance sheets.

4

American Health Services Corp. and Subsidiaries
Consolidated Balance Sheets
March 31, 1992 and December 31, 1991

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

	March 31, 1992 (Unaudited)	December 31, 1991
Stockholders' equity		
10 percent non-cumulative convertible Series B preferred stock with a liquidation preference of $185 per share plus declared and unpaid dividends Authorized--5,000,000 shares Outstanding--37,837.83 shares stated at	$ 6,075,107	$ 6,075,107
Common stock, $.03 par value- Authorized--25,000,000 shares, Outstanding:		
9,770,232 at March 31, 1992. . .		
9,718,232 at December 31, 1991 .	293,107	291,547
Common stock warrants	194,000	194,000
Additional paid-in capital	9,535,231	9,395,791
Accumulated deficit.	(9,363,332)	(9,463,458)
Less--Amounts due from stockholders	(212,870)	(206,349)
	6,521,243	6,286,638
	$35,712,022	$35,622,241

The accompanying notes are an integral part of these consolidated balance sheets.

American Health Services Corp. and Subsidiaries
Consolidated Statements of Operations

	Three Months Ended March 31, 1992 (Unaudited)	Three Months Ended March 31, 1991 (Unaudited)
Revenues:		
Imaging centers	$ 9,714,713	$10,215,114
Expenses:		
Imaging centers	8,060,452	8,668,806
Provision for center profit distributions	275,112	219,243
Income from center operations .	1,379,149	1,327,065
Corporate operating expenses. .	790,247	749,517
Income from operations before interest	588,902	577,548
Interest income and other . . .	86,657	69,556
Interest expense.	(575,433)	(572,880)
Net income.	$ 100,126	$ 74,224
Earnings (loss) per common share (Note 3).	$0.01	($0.01)

The accompanying notes are an integral part of these consolidated statements.

American Health Services Corp. and Subsidiaries
Consolidated Statements of Cash Flows

	Three Months Ended March 31, 1992 (Unaudited)	Three Months Ended March 31, 1991 (Unaudited)
Cash flows from operating activities:		
Net income	$ 100,126	$ 74,224
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization.	637,117	611,174
Deferred rent expense	38,832	(40,974)
Changes in operating assets and liabilities:		
Decrease in accounts receivable, net	1,184,761	700,309
(Increase)decrease in prepaid expenses and other	(484,360)	24,655
Increase in equipment deposits	(335,255)	(93,530)
Increase in other assets	(643,319)	(98,401)
Decrease in accounts payable and accrued expenses	(1,532,852)	(613,091)
Increase (decrease) in center profit distributions payable	(285,955)	115,040
Increase in professional fees payable	58,336	48,012
Total adjustments	(1,362,695)	653,194
Net cash provided by (used in) operating activities . . .	(1,262,569)	727,418

The accompanying notes are an integral part of these consolidated statements.

American Health Services Corp. and Subsidiaries
Consolidated Statements of Cash Flows (continued)

	Three Months Ended March 31, 1992 (Unaudited)	Three Months Ended March 31, 1991 (Unaudited)
Cash flows from investing activities:		
Purchase of property and equipment	$(2,165,994)	$ (409,159)
Increase in notes receivable	(88,189)	-
Net cash used in investing activities	(2,254,183)	(409,159)
Cash flows from financing activities:		
Principal payments under long-term obligations	(613,699)	(389,448)
Increase in principal under long-term obligations	2,446,217	650,000
Decrease in minority interests	(255,703)	(40,697)
Increase in amounts due from stockholders	(6,521)	(7,850)
Proceeds from issuance of common stock	141,000	-
Net cash provided by financing activities	1,711,294	212,005
Net increase (decrease) in cash	(1,805,458)	530,264
Cash at beginning of period	3,637,465	2,686,415
Cash at end of period	$1,832,007	$3,216,679

The accompanying notes are an integral part of these consolidated statements.

NOTE 1 -- BASIS OF PREPARATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and do not include all of the information and disclosures required for annual financial statements. These financial statements should be read in conjunction with the consolidated financial statements and related footnotes for the year ended December 31, 1991 included as part of the Company's Annual Report on Form 10-K (File No. 0-14380) filed with the Securities and Exchange Commission on March 30, 1992.

In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position at March 31, 1992, the results of operations and changes in cash flows for the three month periods ended March 31, 1992 and 1991 have been included.

The results of operations of the three month period ended March 31, 1992 are not necessarily indicative of the results to be expected for the full fiscal year.

NOTE 2 -- CANADIAN ACCOUNTING PRINCIPLES

The accompanying financial statements and notes thereto have been prepared in accordance with generally accepted accounting principles applicable in the United States. The primary difference between these accounting principles and those applicable in Canada are as follows:

1. Currency Translation

The accompanying financial statements are stated in United States dollars. Translation of the financial statements into Canadian dollars would be performed using the historical rate in effect on the dates transactions occurred. No translation gains or losses would result from the translation. The rates of exchange in effect at the end of each of the reporting periods and the average exchange rate for those periods are as follows:

NOTE 2 -- CANADIAN ACCOUNTING PRINCIPLES (CONTINUED)

Exchange Rates
(Canadian Dollars per U.S. Dollar)

	March 31	Average for Three Months Ended March 31
1990	1.132	1.147
1991	1.158	1.156
1992	1.189	1.176

NOTE 3 -- EARNINGS (LOSS) PER SHARE

The number of shares used in computing earnings (loss) per common share is equal to the totals of the weighted average number of common and common equivalent shares outstanding during the period. Common stock equivalents relating to options and warrants have not been included in the computation of earnings (loss) per share in 1991 due to their antidilutive effect.

Net income (loss) is reduced (increased) by preferred stock dividend accrued during the quarter ended March 31, 1991, for purposes of calculating earnings (loss) per common share (see Exhibit 11).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three Months Ended March 31, 1992 Compared to March 31, 1991

RESULTS OF OPERATIONS

The Company reported revenues from the operation of its diagnostic imaging centers for the three months ended March 31, 1992 of approximately $9,715,000 compared to approximately $10,215,000 for the three months ended March 31, 1991, representing a decrease of approximately 5%. The decrease in reported revenues of approximately $500,000 is due primarily to the sale of four centers effective January 1992, (see "Liquidity and Capital Resources") and the expiration of operating agreements relating to five centers subsequent to March 31, 1991. This decrease of $1,500,000 relative to the nine centers was partially offset by revenues generated by two new centers ($300,000) which began operations subsequent to March 31, 1991, and increasing revenues generated by the majority of the Company's remaining centers ($700,000) which existed at March 31, 1991.

Expenses for operations, including provisions for profit distributions to the Company's joint venture partners, for the three months ended March 31, 1992, aggregated approximately $8,336,000 compared to approximately $8,888,000 for the three months ended March 31, 1991. This decrease of approximately $552,000 or 6% is due to the elimination of expenses at the nine centers discussed above. Approximately $1,100,000 of expenses relative to the nine centers was eliminated but was partially offset by approximately $548,000 of expenses primarily related to the Company's two new centers and maintenance costs incurred during 1992 for equipment at five centers which was under warranty during 1991.

The Company reported income from center operations of approximately $1,379,000 for the three months ended March 31, 1992 compared to approximately $1,327,000 for the three months ended March 31, 1991 representing an increase of 4%. This increase in income from center operations is due primarily to a net increase in income from center operations generated by the Company's mature centers which existed at March 31, 1991, substantially offset by the loss of center operating income from the nine centers discussed above.

For the three month period ended March 31, 1992, the Company reported corporate operating expenses of approximately $790,000 compared to corporate operating expenses of approximately $750,000 for the three month period ended March 31, 1991, an increase of approximately 5%. This increase of $40,000 is due primarily to an increase in marketing costs.

For the three months ended March 31, 1992, the Company reported net income of $100,000 compared to $74,000 for the same period in 1991. This increase of approximately $26,000 is the result of increased income from center operations and a reduction in net interest costs, partially offset by increased marketing costs. In order to continue its earnings growth, the Company must continue to expand either by the development of new centers or the acquisition of operating centers.

Net income per share for the three months ended March 31, 1992, was $0.01 per share compared to a net loss of $0.01 per share in 1991. This increase of $0.02 per share is primarily due the an accrual of a preferred stock dividend of $175,000 in 1991 which no longer exists in 1992. In February 1990, the Company issued 3,783,783 shares of its Series A Preferred Stock. In accordance with generally accepted accounting principles, the dividend associated with the Company's Series A Preferred Stock for the three months ended March 31, 1991, was subtracted from net income (loss) to arrive at adjusted net income (loss) available to common stockholders. As discussed below under "Liquidity and Capital Resources", dividends on the new Series B Preferred stock (which was exchanged for the Series A Preferred Stock in January 1992) could not be declared until April 1, 1992, and are non-cumulative. Since the Board of Directors has not declared a dividend for the quarter ended March 31, 1992, no dividend has been subtracted from net income to determine earnings per share for the three months ended March 31, 1992.

Liquidity and Capital Resources

Working capital decreased to approximately $7,190,000 at March 31, 1992, from approximately $7,459,000 at December 31, 1991, a decrease of approximately $269,000. This decrease of 4% is primarily due to maturing long-term obligations ($510,000), partially offset by net income of the Company ($100,000) and proceeds from the issuance of common stock ($140,000).

In April 1991, the Company's primary lender (i) agreed to restructure the repayment provisions of the Company's existing debt and lease obligations to provide, among other things, that the Company defer two months principal, interest and lease payments until the termination of each contract, (ii) committed to a new credit facility which would provide for additional borrowings of up to $1,200,000 to meet the Company's working capital needs, and (iii) amended certain financial covenants to align with the Company's current operating status. In August 1991, the Company completed the $1,200,000 line of credit facility with its primary lender. As of March 31, 1992, the Company had borrowed $850,000 under this facility.

In August 1990, the Company gave notice to Elekta Instruments, Inc. ("Elekta") and Rhode Island Hospital of its intent to terminate the Company's respective agreements with such parties to purchase a Leksell Gamma Unit and establish a Gamma Knife center on the campus of Rhode Island Hospital. The Company terminated such agreements due to the hospital's inability to obtain Certificate of Need approval from the State of Rhode Island for the project. The Company had borrowed approximately $2,000,000 from its primary lender for the purchase of the Rhode Island equipment. Instead of refunding amounts paid by the Company to Elekta toward the purchase of the Rhode Island equipment, Elekta applied such funds to the purchase price of the Maryland Gamma Knife. The Company paid Elekta $450,000 and Cal Kovens, a director and the holder of a majority of the Company's Series B Preferred Stock, has guaranteed the Company's letter of credit to Elekta ($250,000) relating to the balance due on acceptance of the Maryland Gamma Knife. The Company has entered into a five year site improvement loan for approximately $1,000,000 with a construction company and has received a financing commitment from its primary lender for a seven year equipment loan ($2,700,000) related to the Maryland Gamma Knife. The Company is currently in the final stages of completing documentation of the equipment loan. Management believes the documentation will be finalized prior to the center opening in the second quarter of 1992. However, if the financing commitment is not consummated, the Company will be required to find an alternative source of repayment for the $2,000,000 loan discussed above.

In February 1992, the Company purchased a second Gamma Knife to be located in California and made a deposit toward the purchase of a third Gamma Knife to be located at a still undetermined site. The Company received non-recourse interim financing of $2,000,000 toward the acquisition of the second Gamma Knife and the deposit for the third Gamma Knife from Mr. Kovens, and is currently seeking permanent financing in the amount of approximately $8,000,000 to replace the interim financing, to finance the acquisition of the third Gamma Knife and to cover the cost of site improvements and working capital for the second and third Gamma Knife centers. The interim financing was borrowed from Mr. Kovens pursuant to the terms of a non-recourse promissory note secured by the second Gamma Knife and due August 24, 1992. In addition, the Company is required to make certain interim payments to Elekta for the purchase of the third Gamma Knife commencing in June 1992 and a final payment is due upon acceptance of the second Gamma Knife in the fourth quarter of 1992. If the Company is unable to secure the necessary permanent financing by June 1992, the Company would be unable to complete the establishment of the second and third Gamma Knife centers. The Company believes that it will be successful in obtaining such permanent financing, but there can be no assurance that such financing will be available on terms reasonably acceptable to the Company. In addition, while the promissory note held by Mr. Kovens is due in August 1992, Mr. Kovens has indicated that to the Company that if permanent financing has not been obtained by such time, he would extend the term of the note until such financing is secured.

In February 1992, the Company announced that it had entered into a letter of intent with its primary supplier (G.E.) of diagnostic imaging equipment for the purchase of approximately $32,000,000 of its lease agreements and related equipment and the extension of a $6,000,000 non-revolving line of credit to finance corporate growth in connection with the acquisition, development and improvement of its diagnostic imaging business. Pursuant to the terms of the letter of intent, on May 19, 1992, the Company entered into a definitive loan and security agreement relating to the $6,000,000 non-revolving line of credit. In addition, on May 19, 1992, the Company also entered into an amendment to its leases at 17 centers to provide for lease payments to be deferred during each of the six months ended September 30, 1992. These deferred payments will be repaid during the remaining life of the respective leases, ranging from one to seven years. In consideration of the extension of the non-revolving line of credit and the amendment, the Company has issued a warrant to G.E. to purchase up to an aggregate of 1,678,946 shares of the Company's outstanding common stock, subject to adjustment in certain circumstances. Fifty percent (50%) of such shares will be exercisable three years after the date of issuance. The remaining fifty percent (50%) of such shares will be exercisable incrementally as advances are made under the non-revolving line of credit but no earlier than three years after the date of issuance. The Company and G.E. are still negotiating the transaction for the purchase of the leases and related equipment, subject to approval of the Company's primary lender. However, there can be no assurance that such a transaction will be consummated with the approval of the Company's primary lender.

Approval of the Company's primary lender and G.E., is required for any advances under the non-revolving line of credit. There can be no assurance that the Company's primary lender or G.E. will approve any such advances in connection with the acquisition or development of new centers or the improvement of existing centers.

Effective January 31, 1992, the Company entered into an asset purchase agreement with Maxum Health Services Corp. ("Maxum") pursuant to which the Company sold four MRI networks which the Company operated in the northern Indiana area which consisted of nine hospitals. The Company received $170,000 in the form of cash and a $95,000 promissory note which is payable in 13 monthly installments commencing in March 1992. In addition, the third party assumed the lease obligations of the Company related to equipment used on three of the routes. The Company cancelled its lease agreement related to the fourth route.

Effective January 1, 1992, the Company terminated its contract with a hospital related to one of its centers. In consideration for terminating the contract, the hospital paid the Company approximately $380,000 and assumed the existing equipment lease.

As of May 19, 1992, the Company has utilized all available amounts under its $1,200,000 credit facility. The Company believes that cash flow from its operating centers will be sufficient to fund continuing operations at the present level. Consummation of the amendment to the G.E. leases described above will provide significant additional net working capital (approximately $500,000 per month during each of the six months ending September 30, 1992) as a result of a reduction in its monthly equipment cash flow at 17 centers. Although, commencing October 1, 1992, the lease payments will increase to reflect repayment of the six month deferral through the end of each such lease, the Company believes that cash flow from its operating centers will be sufficient to fund its continuing operations.

Subject to the limitations described above, including Philips' approval for each advance under the non-revolving line of credit, the Company expects to finance the development and other start-up costs and the costs of equipment and site improvements at any new diagnostic imaging centers through the non-revolving line of credit, financing arrangements with the manufacturers of the equipment utilized at such centers and other financing sources utilized by the Company including the Company's primary lender. The ability of the Company to establish such centers and continue to expand operations is dependent upon the availability of financing on terms reasonably acceptable to the Company. The Company believes that new centers will become cash positive, on average, within their third quarter of operation.

Dividends on the Series B Preferred Stock were not declarable until April 1, 1992, and will be non-cumulative so long as the Series B Preferred Stockholders control a majority of the Board of Directors of the Company. In addition, any dividends declared on the Series B Preferred Stock may be paid in cash or shares of common stock at the discretion of the Board of Directors. No dividend has been declared by the Board of Directors for the quarter ended March 31, 1992.

The Company accounts for income taxes using the liability method in accordance with Statement of Financial Accounting Standard No. 96, Accounting for Income Taxes ("FAS No. 96"). On February 10, 1992, the Financial Accounting Standards Board issued FAS No. 109 which supersedes FAS No. 96. The Company will be required to adopt FAS No. 109 no later than fiscal 1993. The Company is currently analyzing the impact on its financial statements, however, at this time the impact of the statement has not been determined. Management does not believe the impact will be material.

Inflation has not had a significant impact on the Company's operations and, in management's opinion, based upon current trends will not have an adverse impact on operations in the near future.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

Exhibit Number	Description and Reference
Exhibit 11	Statement of Computation of Per Share Earnings, filed herewith.

(b) Reports on Form 8-K. During the quarter ended March 31, 1992, the Company did not file any current report on Form 8-K with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

American Health Services Corp.
(Registrant)

Thomas V. Croal,
Vice President
Chief Financial Officer

E. Larry Atkins,
President
Chief Executive Officer

Date: May 19, 1992

AMERICAN HEALTH SERVICES CORP.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1992
EXHIBIT INDEX

Exhibit Number	Description and Reference	Sequentially Numbered Page
Exhibit 11	Statement of Computation of Shares Per Share Earnings, filed herewith.	19

EXHIBIT 11 -- STATEMENT OF COMPUTATION OF PER SHARE EARNINGS.

Earnings per share for the three months ended March 31, 1992 and 1991 is calculated as follows:

	Three Months Ended March 31	
	1992	1991
	(Unaudited)	
Net income	$ 100,126	$ 74,224
Less:		
Dividends accrued on preferred shares	-	175,000
Adjusted net income	$ 100,126	$ (100,776)
Weighted average number of common shares outstanding	9,738,057	9,259,060
Weighted average number of common equivalent shares outstanding as a result of stock options and warrants	829,013	-
Convertible preferred stock	3,783,783	-
Total weighted average number of common and common equivalent shares outstanding	14,350,853	9,259,060
EARNINGS (loss) PER SHARE	$0.01	$(0.01)

0 11275

Q-35622

92 18 6566

15

BEST COPY
AVAILABLE

131

B92-2265

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 2-88333

AMERICAN SOUTHWEST FINANCE CO., INC.
(Exact name of registrant as specified in its charter)

Arizona	86-0461972
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2390 East Camelback Road, Suite 225, Phoenix, AZ 85016
(Address of principal executive offices)
(Zip Code)

(602) 381-8960
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of shares of common stock outstanding as of July 9, 1992:

Class A - 22,000 Class B - 37,000

PROCESSED
15-15-1
JUL 15 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

AMERICAN SOUTHWEST FINANCE CO., INC.

INDEX

Page No.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Balance Sheets - May 31, 1992 (Unaudited) and August 31, 1991 3

Statements of Income - For the three-months ended May 31, 1992 and 1991 (Unaudited) and for the nine-months ended May 31, 1992 and 1991 (Unaudited) 5

Statements of Cash Flows - For the nine-months ended May 31, 1992 and 1991 (Unaudited) 6

Notes to Financial Statements (Unaudited) 8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 9

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K 14

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN SOUTHWEST FINANCE CO., INC.
BALANCE SHEETS

ASSETS

	May 31 1992 (Unaudited)	August 31 1991
Cash and Cash Equivalents - Note 1	$ 539,463	$ 470,883
Investments, net		175,000
Receivables pursuant to Funding Agreements - Note 2		
Principal - (Net of issue discount of $177,453 and $211,624, respectively)	121,547,255	137,882,802
Interest	1,370,302	1,044,443
Receivables - other, primarily refundable income taxes	44,228	7,755
Total Assets	$ 123,501,248	$ 139,580,883
Fiduciary Funds (excluded from corporate assets) - see contra and Note 1	$ 1,202,785	$ 1,382,209

The accompanying notes are an integral part of these financial statements.

AMERICAN SOUTHWEST FINANCE CO., INC.
BALANCE SHEETS (CONT'D)

LIABILITIES AND SHAREHOLDERS' EQUITY

	May 31 1992 (Unaudited)	August 31 1991
Liabilities		
Bonds payable - Note 2		
Principal - (Net of issue discount of $177,453 and $211,624, respectively)	$ 121,547,255	$ 137,882,802
Interest	1,370,302	1,044,443
Accounts payable	1,540	192,055
Total Liabilities	122,919,097	139,119,300
Shareholders' Equity		
Class A Common Stock, $.10 par value; 100,000 shares authorized; 25,000 shares issued; 24,000 and 25,000 shares outstanding at May 31, 1992 and August 31, 1991, respectively	2,500	2,500
Class B Common Stock, $.10 par value; 50,000 shares authorized, 37,000 shares issued and outstanding at May 31, 1992 and 41,000 shares issued and outstanding at August 31, 1992	3,700	4,100
Capital in excess of par value	100,200	100,200
Retained earnings	477,316	354,783
	583,716	461,583
Less: Treasury stock - at cost, Class A Common Stock, 1,000 shares	1,565	
Total Shareholders' Equity	582,151	461,583
Total Liabilities and Shareholders' Equity	$ 123,501,248	$ 139,580,883
Liability for Fiduciary Funds (excluded from corporate liabilities) - see contra and Note 1	$ 1,202,785	$ 1,382,209

The accompanying notes are an integral part of these financial statements.

AMERICAN SOUTHWEST FINANCE CO., INC.
STATEMENTS OF INCOME
(Unaudited)

	For the three-months ended May 31,		For the nine-months ended May 31,	
	1992	1991	1992	1991
REVENUES				
Interest				
Pursuant to Funding Agreements	$ 2,803,259	$ 3,389,887	$ 8,801,714	$10,826,360
Other	5,384	6,860	21,915	16,199
Administrative fees	2,703	7,889	13,994	19,855
Redemption income		240,065	167,030	493,503
	2,811,346	3,644,701	9,004,653	11,355,917
COSTS AND EXPENSES				
Interest on bonds	2,803,259	3,389,887	8,801,714	10,826,360
Other expenses	2,401	11,106	21,406	49,222
	2,805,660	3,400,993	8,823,120	10,875,582
INCOME BEFORE TAXES	5,686	243,708	181,533	480,335
PROVISION FOR INCOME TAXES	2,000	110,446	59,000	207,986
NET INCOME	$ 3,686	$ 133,262	$ 122,533	$ 272,349
EARNINGS PER SHARE - Note 3	$ .15	$ 5.43	$ 5.00	$ 10.96
Weighted average number of Class A Shares outstanding	23,989	24,554	24,500	24,849

The accompanying notes are an integral part of these financial statements.

AMERICAN SOUTHWEST FINANCE CO., INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the nine-months ended May 31, 1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 122,533	$ 272,349
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Principal accretion on receivables pursuant to funding agreements		(1,068,858)
Principal accretion on bonds payable		1,068,858
Amortization of discount on receivables pursuant to funding agreements	(34,171)	(34,530)
Amortization of discount on bonds payable	34,171	34,530
Increase in interest receivable pursuant to funding agreements	(325,859)	(393,660)
Increase in interest payable	325,859	393,660
Increase in other receivables	(36,473)	(6,559)
(Decrease) increase in accounts payable	(190,515)	211,003
Total Adjustments	(226,988)	204,444
Net cash (used in) provided by operating activities	(104,455)	476,793

AMERICAN SOUTHWEST FINANCE CO., INC.
STATEMENTS OF CASH FLOWS (CONT'D)
(Unaudited)

	For the nine-months ended May 31, 1992	1991
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of receivables pursuant to funding agreements	16,369,718	22,078,356
Purchase of investments, net	(228,249)	
Maturity of investments, net	403,249	
Net cash provided by investing activities	16,544,718	22,078,356
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction of bonds payable	(16,369,718)	(22,078,356)
Acquisition of Class A Treasury Stock	(8,508)	(2,665)
Sale of Class A Treasury Stock	6,943	
Acquisition and retirement of Class B Stock	(400)	
Net cash used in financing activities	(16,371,683)	(22,081,021)
Net increase in cash and cash equivalents	68,580	474,128
Cash and cash equivalents at beginning of period	470,883	159,631
Cash and cash equivalents at end of period	$ 539,463	$ 633,759

Disclosure of accounting policy:
For purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

The accompanying notes are an integral part of these financial statements.

AMERICAN SOUTHWEST FINANCE CO., INC.
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - CASH AND CASH EQUIVALENTS

The amounts excluded from the Company's assets and liabilities presented as "Fiduciary Funds" and "Liabilities for Fiduciary Funds" on the accompanying balance sheets as of May 31, 1992 and August 31, 1991, represent funds of participating Finance Companies held on behalf of the Finance Companies primarily for future bond administration expenses.

NOTE 2 - MORTGAGE COLLATERAL

Funds generated by principal and interest payments on the Mortgage Collateral securing a Series of Bonds are held by the trustee until the payment dates for the Bonds. Amounts not required to make principal and interest payments on the Bonds of a Series are used to pay current fees and expenses, are held in reserve funds for future fees and expenses, are held in special reserve funds securing the Bonds, or are paid to Finance Companies.

NOTE 3 - EARNINGS PER SHARE

Earnings per share calculations are based on the weighted average number of Class A common shares outstanding since voting and dividend rights are limited to Class A shareholders. Class B shareholders' rights are limited to a return of capital together with a share of the Company's profits, if any, provided such profits were not paid to Class A shareholders as dividends prior to dissolution.

NOTE 4 - MANAGEMENT REPRESENTATION

In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary to present fairly the financial results for the interim period presented.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

American Southwest Finance Co., Inc. (the "Company") was organized to facilitate the financing of long-term residential mortgage loans secured by single-family residences through the issuance of mortgage-collateralized bonds ("Bonds") in series ("Series"). The Company does not have and is not expected to have any significant assets other than the assets pledged to secure specific Series of Bonds. The net proceeds of a Series of Bonds are applied toward the simultaneous purchase or the repayment of indebtedness with respect to the mortgage collateral securing such Series of Bonds (the "Mortgage Collateral") or to fund loans to participating finance companies ("Finance Companies") pursuant to funding agreements ("Funding Agreements"). The Company last issued a Series of Bonds in July 1987. Issuance fees ("Bond Issuance Fees") charged for each Series of Bonds issued by the Company are used to pay Bond offering expenses.

Each Series of Bonds that has been issued is a nonrecourse obligation of the Company payable solely from the Mortgage Collateral and other collateral (together the "Collateral") pledged to secure such Bonds. Neither the Company nor the Finance Companies guarantee the Bonds or are obligated to pay the Bonds except from the proceeds of the Collateral securing such Series of Bonds.

Liquidity and Capital Resources

The Company's principal sources of liquidity consist of other interest income, administrative fee revenue and redemption income. The Company's other interest income consists primarily of interest earned on the Company's general operating funds. Increased general funds resulting from redemption income have allowed the Company, in a decreasing interest rate environment, to increase its other interest income during the current year compared to the same period for the prior year.

The Company's administrative fee revenues are derived from fees charged to the Finance Companies for administration of Fiduciary Funds. Fees vary depending on investment returns of certain Fiduciary Funds.

The indenture supplements relating to certain Series of Bonds issued by the Company have call provisions which give the Company the option of redeeming such Bonds in whole or in part when specific criteria are met. The Company exercised the right to redeem the outstanding Series R-3 Bonds on October 29, 1991. Expenses related to this redemption are included in other expenses. Although redemption opportunities are favorable in the current interest rate environment, the benefits of redemptions are not predictable due to a variety of factors including uncertainty of the time at which the Company may effect redemptions of the outstanding Bonds, prevailing interest rates and other market factors which may exist at the time of a redemption.

Other expenses of the Company consist primarily of professional fees which fluctuate depending on the activities of the Company. Expenses related to redemptions on December 17, 1990, March 29, 1991 and October 29, 1991 are included in the periods presented and create the variances when comparing periods.

In addition to the items of operating income and expenses described above, the Company also includes for financial statement purposes the interest income on the Collateral securing each Series of Bonds and the interest expense on the outstanding Bonds of each Series issued by the Company. Both interest income on the Collateral and interest expense on the Bonds decreased in the three-month period ended May 31, 1992 and in the nine-month period ended May 31, 1992 as compared to the same periods in 1991. This decrease is primarily due to a smaller aggregate amount of Collateral securing such Bonds and correspondingly, a smaller amount of outstanding Bonds.

The amount of interest income received on the Collateral securing the various Series of Bonds issued by the Company, the rate at which principal prepayments are made on such Collateral, the amount of other interest income earned on the Company's general operating funds, and the amounts distributed to the Finance Companies ("Surplus"), are each dependent upon prevailing interest rates and are significantly affected by interest rate fluctuations. However, since Surplus (generally, the right to receive the remaining cash flow available on Collateral after debt service and payment of administrative expenses on Bonds) is not retained by the Company, the risks associated with fluctuations in interest rates are borne primarily by the Finance Companies rather than by the Company.

The Company believes that scheduled payments of principal and interest on the Collateral pledged to secure each Series of Bonds, together with amounts available from reserve funds established for each such Series of Bonds and any reinvestment income on such amounts, will provide sufficient funds (i) to make timely payments of principal and interest on such Bonds when due and to retire such Bonds not later than their respective stated maturities and (ii) to pay related Bond administration expenses.

Results of Operations

The Company's net income decreased for the three-month period ended May 31, 1992 compared to the three-month period ended May 31, 1991 and for the nine-month period ended May 31, 1992 compared to the nine-month period ended May 31, 1991, primarily as a result of a lower level of redemption income in the current fiscal year.

The Company's primary purpose is issuance of Bonds; however, changes in both federal and state tax laws during 1986 and 1987 reduced the benefits to the Finance Companies which utilized the Bond issuance program. At the same time, increased Bond origination and collateral securitization activity by government backed issuers such as the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and in recent periods, the Resolution Trust Corporation impacted market issuance efficiencies at the private sector level. These changes curtail the desirability to continue issuance, limit profit opportunity and reduce the economic benefits to the Company and to the Finance Companies.

The interest rate environment is affected by conditions in financial markets, the fiscal and monetary policies of the United States government and the Board of Governors of the Federal Reserve System, international economic and financial conditions and other factors, none of which can be predicted with any certainty.

Impact of Inflation and Changing Prices

Virtually all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a more significant impact on the performance of the Company than the effects of general levels of inflation since changes in prevailing interest rates will affect the availability, cost, and expected maturity of Collateral. This in turn will affect the Company's ability to issue new Series of Bonds and earn Bond Issuance Fees. Changes in interest rates (particularly long-term interest rates) also affect the timing and profit potential of Bond redemptions, with lower rates being a positive factor and higher rates being a negative factor. Interest rates do not necessarily move in the same direction or in the same magnitude as the price of goods and services, since such prices are affected by inflation while interest rates generally are not affected to the same degree. Nevertheless, because (i) each Series of Bonds is secured by Collateral paying interest at fixed rates, (ii) interest on each class of Bonds of a Series is paid at fixed rates, and (iii) the Company does not retain the Surplus, neither changes in interest rates nor inflationary pressures are expected to significantly affect the ability of the Company to meet its obligations as they become due.

AMERICAN SOUTHWEST FINANCE CO., INC.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits: None.

(b) Reports on Form 8-K: None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN SOUTHWEST FINANCE CO., INC.

Date: July 10, 1992

G Thomas Egg

G. Thomas Eggebrecht
President and Chief Executive Officer

Date: July 10, 1992

Richard H Hackett

Richard H. Hackett
Executive Vice President, Treasurer and
Chief Financial and Accounting Officer

0 22819 Q-35608

16

92 14 5186

RECD S.E.C.

133

C92.2065

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992, or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

1-0 16/15 CS

Microfilmed by Q-Data Corp. - St. Petersburg, FL

Commission file number 0-15932

BF ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	94-3038456
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Bush Street, Suite 1700, San Francisco, California 94104
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (415) 989-6580

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:

$.10 Par Value Common Stock
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ....X.... No........

As of May 14, 1992, there were outstanding 3,820,853 shares of the registrant's $.10 par value Common Stock.

BF ENTERPRISES, INC. AND SUBSIDIARIES

INDEX

Page

PART I - FINANCIAL INFORMATION

Item 1. - Financial Statements

- Consolidated statements of financial position........3
- Consolidated statements of operations................4
- Consolidated statements of stockholders' equity......5
- Consolidated statements of cash flows................6
- Notes to financial statements.....................7-11

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations......12-13

PART II - OTHER INFORMATION

Item 6. - Exhibits and Reports on Form 8-K.....................14

BF ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(in thousands, except per share amounts)

	March 31, 1992	December 31, 1991
ASSETS:		
Cash and cash equivalents	$ 4,441	$ 2,722
Marketable securities	9,041	9,218
Receivables	151	77
Mortgage loans	830	833
Real estate, net of depreciation	9,927	11,030
Other assets	433	425
TOTAL ASSETS	$24,823	$24,305
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Payables and accrued liabilities	$ 2,281	$ 2,420
Subordinated debentures, unmatured	10,756	10,830
Deferred income taxes	395	395
Total liabilities	13,432	13,645
Stockholders' equity:		
Common stock, $.10 par value Authorized-10,000,000 shares Issued and outstanding-3,820,853 and 3,824,353 shares	382	382
Capital surplus	17,577	17,597
Deficit	(5,745)	(6,193)
Unrealized losses from long term marketable equity securities	(823)	(1,126)
Total stockholders' equity	11,391	10,660
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$24,823	$24,305

The accompanying notes to financial statements are an integral part of these statements.

BF ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	1992	1991
Revenues:		
Gains from sales of real estate	$ 503	$ --
Real estate operations and mortgage loan interest	149	151
Interest	131	233
Other	7	17
	790	401
Expenses:		
Interest	83	118
Depreciation	13	13
General and administrative	272	316
	368	447
Gross profit (loss)	422	(46)
Gains from securities	26	111
Income before income taxes	448	65
Benefit for income taxes	--	(200)
Net income	$ 448	$ 265
Net income per share	$ .12	$ .07

The accompanying notes to financial statements are an integral part of these statements.

BF ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

(in thousands)

	Three Months Ended March 31,	
	1992	1991
Common Stock:		
Beginning of period	$ 382	$ 398
Exercise of stock options - par value	1	--
Purchases of common stock - par value	(1)	(3)
End of period	$ 382	$ 395
Capital Surplus:		
Beginning of period	$ 17,597	$ 18,023
Exercise of stock options - excess over par value	1	--
Purchases of common stock - excess over par value	(21)	(93)
End of period	$ 17,577	$ 17,930
Deficit:		
Beginning of period	$ (6,193)	$ (6,335)
Net income	448	265
End of period	$ (5,745)	$ (6,070)
Net Unrealized Losses From Long Term Marketable Securities:		
Beginning of period	$ (1,126)	$ (1,371)
Valuation allowance	303	216
End of period	$ (823)	$ (1,155)

The accompanying notes to financial statements are an integral part of these statements.

BF ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income	$ 448	$ 265
Adjustments to reconcile net income to net cash used by operating activities:		
Gains from sales of real estate	(503)	--
Gains from securities	(26)	(111)
Decrease in deferred income taxes	--	(200)
Other, net	(255)	(126)
Total adjustments to net income	(784)	(437)
Net cash used by operating activities	(336)	(172)
Cash flows from investing activities:		
Proceeds from sales of real estate	1,209	--
Real estate development expenses	(195)	(307)
Reimbursement of real estate development expenses	739	--
Proceeds from sales and maturities of marketable securities	3,979	9,647
Purchases of marketable securities	(3,478)	(6,672)
Other, net	(76)	2
Net cash provided by investing activities	2,178	2,670
Cash flows from financing activities:		
Reductions in subordinated debentures	(103)	(178)
Purchases of the Company's common stock	(22)	(96)
Other net	2	--
Net cash used by financing activities	(123)	(274)
Net increase in cash and cash equivalents	1,719	2,224
Cash and cash equivalents at beginning of period	2,722	5,076
Cash and cash equivalents at end of period	$ 4,441	$ 7,300
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest (net of amount capitalized)	$ 83	$ 118

The accompanying notes to financial statements are an integral part of these statements.

BF ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

Note A - Transactions with Robert Half International Inc.

On June 30, 1987, all of the outstanding shares of common stock of BF Enterprises, Inc. (the "Company"), then a wholly-owned subsidiary of Robert Half International Inc. ("RHII"), were delivered by RHII to a Distribution Agent and Trustee on behalf of all holders of RHII common stock (the "Distribution"). Previously, RHII had transferred its real estate and other non-personnel services businesses (the "Enterprises Businesses") to the Company, and the Company had assumed the liabilities relating to the Enterprises Businesses. This transfer of assets and assumption of liabilities and the distribution of the Company's stock are described in the Information Statement dated June 15, 1987 concerning the distribution of the Company's common stock. The Company commenced operations as a separate public company at the close of business on June 30, 1987.

Note B - Interim Financial Information

The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in management's opinion, include all adjustments necessary for a fair presentation for the interim period reported. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules or regulations; however, the Company believes that the disclosures made are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's Form 10-K for the year ended December 31, 1991.

The interim results for the three months ended March 31, 1992 are not expected to be indicative of results for the full year, partly because of the inclusion in those results of the sale of 453 acres of the Company's Florida land to the Meadow Pointe Community Development District as discussed in Notes E and F.

Note C - Cash and Cash Equivalents

Cash and cash equivalents include short-term investments, with original maturities of 90 days or less, such as treasury bills and notes, government agency bills and notes, bank deposits, time deposits, certificates of deposit, repurchase agreements, bankers acceptances, and commercial paper, all of which were carried at cost, which approximated market value.

Note D - Marketable Securities

At March 31, 1992 and December 31, 1991, marketable securities consisted of the following (in thousands):

	March 31, 1992	December 31, 1991
Long-term marketable equity securities, at cost	$2,425	$2,425
Less: Valuation allowance	(823)	(1,126)
Long-term marketable equity securities, at market	1,602	1,299
Government securities	5,501	4,033
Commercial paper	1,938	3,886
Total	$9,041	$9,218

Marketable equity securities are carried at the lower of aggregate cost or market value. Realized gains and losses are computed using the specific identification method.

At March 31, 1992 and December 31, 1991, the carrying value of long-term marketable equity securities was reduced to aggregate market value, which was $823,000 and $1,126,000 lower than cost, respectively, and a corresponding charge was made to stockholders' equity.

Government securities include treasury bills and notes and government agency bills and notes with original maturities of more than 90 days. At March 31, 1992, all of the government securities were due by February 15, 1995. At March 31, 1992, the government securities were carried at cost, which approximated market value.

At March 31, 1992, commercial paper investments had original maturities between 90 and 133 days and were carried at cost, which was lower than market value.

At March 31, 1992 and December 31, 1991, in addition to the marketable securities shown above, the Company held non-publicly traded securities with carrying values of $209,000 which were included in other assets.

Note E - Real Estate

At March 31, 1992, the Company's real estate assets consisted primarily of 1,189 acres of land in a master-planned, mixed-use project known as Meadow Pointe, near Tampa, Florida, 32 residential lots in a developed parcel, known as Tanglewood Village, adjacent to Meadow Pointe, 22 acres of land near Nashville, Tennessee, an office building and underlying land in Edina, Minnesota (which was sold in April 1992) and a building and underlying land in Tempe, Arizona, which is leased until March 31, 1998 at an annual rent of $505,000, that were carried at a cost, net of depreciation, of $9,927,000. At December 31, 1991, real estate assets were carried at a cost, net of depreciation, of $11,030,000. In February 1992, the Company sold 453 acres within Meadow Pointe to the Meadow Pointe Community Development District (see Note F). Also in February 1992, the Company reduced the carrying value of its land in the Meadow Pointe project by $739,000, the amount reimbursed by the District for the cost of certain infrastructure improvements it purchased. The Company capitalizes costs directly associated with this project, including interest and employee compensation costs. For the three months ended March 31, 1992 and 1991, such capitalized interest costs were $81,000 and $86,000, respectively. Capitalized employee compensation costs for the same periods were $48,000 and $62,000, respectively.

Note F - Meadow Pointe Community Development District

In connection with the Company's development of its land near Tampa, in October 1991 the Meadow Pointe Community Development District, a local unit of special purpose government, was created upon the unanimous vote of the Pasco County Board of County Supervisors, pursuant to Chapter 190 of the Florida Statutes. Following validation by final judgment of the Circuit Court of Pasco County, the Community Development District issued $19,030,000 of its capital improvement revenue bonds in February 1992 to finance the acquisition and construction of basic infrastructure for Meadow Pointe. The Community Development District encompasses approximately 902 acres of the 1,642 acres within the Meadow Pointe project; and of the 902 acres, 453 acres are now owned by the District (see following paragraph). The source of payment of the bonds are special assessments that will be levied against the individual parcels of land within the Community Development District beginning in 1993, and the bonds are secured by a first lien upon and pledge of those special assessments. The special assessments will be collected in the same manner as Pasco County property taxes, and if any owner (other than the District and Pasco County) of any parcel within the District, including the Company (until such time as its land has been developed and sold or otherwise transferred to others), fails to make payment of an assessment then that parcel shall become subject to a lien which may ultimately be foreclosed for nonpayment.

Immediately following the issuance of its bonds, the District purchased from the Company 453 acres of land to be used for roads, ponds and conservation areas and neighborhood parks for $3,045,000, of which $1,045,000 was paid to the Company in cash. The balance of $2,000,000 is subordinate to the District's obligations under the bonds, including its obligation to pay all bond project construction costs, and will be paid, together with accrued interest, only if certificates of occupancy have been issued for 442 residential units within the District by February 1, 1997.

Note G - Subordinated Debentures

On June 30, 1987, the Company assumed five series of subordinated debentures from RHII. Series A, B and C debentures have already passed their maturity dates. Series D and E debentures have maturity dates of December 31, 1993 and May 31, 1994, respectively. Interest rates for Series D and E debentures are variable and equal to 1% above the average monthly yield on three-month United States Treasury bills, subject to a minimum of 6% per annum and a maximum of 10% per annum.

Note H - Income Taxes

The Company did not include a provision for income taxes for the three months ended March 31, 1992 and 1991 since it realized benefits of $117,000 and $26,000, respectively, from the utilization of net operating loss carryforwards. The Company reviewed its liability for deferred income taxes at March 31, 1991 and concluded that a $200,000 reduction was appropriate.

Reconciliations from the expected federal statutory income tax rate to the effective tax rate, expressed as a percentage of pre-tax income, for the three months ended March 31, 1992 and 1991 were as follows:

	Three Months Ended March 31,	
	1992	1991
Expected federal statutory income tax rate	34.0%	34.0%
State income taxes, net of federal tax benefit	5.3	6.0
Permanent differences due to acquisition adjustments	(4.0)	-
Recognition of pre-acquisition tax benefits of real estate sold	(9.3)	-
Benefit of dividend received deduction	--	(0.5)
Utilization of net operating loss carryforwards	(26.0)	(39.5)
Effective tax rate	-%	-%

At March 31, 1992, the Company had net operating loss carryforwards of approximately $8,800,000 for financial reporting purposes. Due to timing differences, at March 31, 1992, the Company had available for federal income tax purposes unused operating and capital loss carryforwards of approximately $10,500,000, which expire as follows (in thousands):

Year of Expiration	Net Operating Loss Carryforwards	Net Capital Loss Carryforwards
1992	$ --	$2,300
1993	--	2,000
1994	--	1,300
2002	1,800	--
2003	1,100	--
2004	800	--
2005	400	--
2006	700	--
2007	100	--
	$4,900	$5,600

Note I - Stockholders' Equity

During the three months ended March 31, 1992 the Company purchased 8,500 shares of its common stock for an aggregate amount of $22,000. During the three months ended March 31, 1991, the Company purchased 32,000 shares of its common stock for $96,000.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

During the three months ended March 31, 1992, net income was $448,000, which was primarily attributable to a gain from the sale of 453 acres of the Company's land within its Meadow Pointe project near Tampa, Florida. Net income of $265,000 in the three months ended March 31, 1992, was mainly the result of $111,000 of gains from securities and a $200,000 benefit for income taxes due to a reduction in the liability for deferred income taxes.

Interest from investments accounted for $131,000 of revenues in the three months ended March 31, 1992, as compared to $233,000 for the same period in 1991. The decline in 1992 was due to a reduction in the amount of funds available for investment and a lower level of interest rates.

Interest expenses for the three months ended March 31, 1992 and 1991, were $83,000 and $118,000, respectively. The decrease was primarily a result of lower interest rates. These interest amounts were entirely attributable to unmatured subordinated debentures and were net of interest expenses of $81,000 and $86,000, respectively, that were capitalized against Tampa, Florida real estate in accordance with Financial Accounting Standards Board Statement No. 34.

General and administrative expenses were $272,000 in the three months ended March 31, 1992, which was 14% lower than the general and administrative expenses of $316,000 in the three months ended March 31, 1991. The reduction in expenses in the 1992 period was principally due to lower employee compensation expenses and lower directors' fees. Employee compensation expenses capitalized against Tampa, Florida real estate in the three months ended March 31, 1992 and 1991, were $48,000 and $62,000, respectively.

The Company reported gains from securities of $26,000 in the three months ended March 31, 1992 as compared to gains from securities of $111,000 in the three months ended March 31, 1991.

Liquidity and Capital Resources

During the three months ended March 31, 1991, cash, cash equivalents and marketable securities increased by $1,542,000. This increase was principally due to payments received from the Meadow Pointe Community Development District, a local unit of special purpose government (the "District").

In February 1992, the Company sold 453 acres of land within its Meadow Pointe project to the District for $3,045,000, of which $1,045,000 was paid to the Company in cash out of proceeds of the District's sale of certain capital improvement revenue bonds. The balance of $2,000,000 is subordinate to the District's obligations under the bonds, including its obligation to pay all bond project construction costs, and will be paid to the Company, together with accrued interest, only if certificates of occupancy have been issued for 442 residential units within the District by February 1, 1997 (see Note F of Notes to Financial Statements). In February 1992, the Company also received $739,000 from the District as reimbursement of certain costs for infrastructure improvements at Meadow Pointe that were purchased by the District (see Note E of Notes to Financial Statements).

At March 31, 1992, the Company's financial condition was relatively liquid with $13,482,000 in cash, cash equivalents and marketable securities as compared to $13,432,000 for all short-term and long-term liabilities.

The Company's cash needs for its existing businesses, including those related to debenture payments and real estate development activities, are expected to be met from cash, cash equivalents and from sales of securities and other assets.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

11. Statement re computation of per share earnings.

(b) The registrant did not file any reports on Form 8-K during the period covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BF ENTERPRISES, INC.
(Registrant)

Date: May 14, 1992

John M. Price
Senior Vice President,
Secretary and General
Counsel

Date: May 14, 1992

S. Douglas Post
Vice President and Controller
(Principal Accounting Officer)

EXHIBIT 11 TO FORM 10-Q

BF ENTERPRISES, INC. AND SUBSIDIARIES

COMPUTATION OF PER SHARE EARNINGS (UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended March 31, 1992		Three Months Ended March 31, 1991
Net income	$ 448		$ 265
Weighted average number of shares outstanding:			
Common stock	3,821		3,955
Common stock equivalents - stock options	33	(A)	39
	3,854		3,994
Net income per share - based on weighted average number of shares of common stock and common stock equivalents	$ .12		$ .07

(A) Computation is based on the treasury stock method using average market price.

(B) A computation of fully diluted per share amounts has been omitted since there was no dilution during the periods reported.

Q-35607
O 12421

92 14 4753

MANUALLY EXECUTED

22

D92-2265

MAY 15 1992

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: 03/31/92

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number: 0-17232

CAPITAL RESERVE CORPORATION
(Exact name of registrant as specified in its charter)

Colorado (State or other jurisdiction of incorporation or organization)	84-0888594 (I.R.S. Employer Identification No.)
7860 E. Berry Place, Suite 120 Englewood, Colorado (Address of principal executive offices)	80111 (Zip Code)

Registrant's telephone number, including area code: (303) 220-5030

N/A
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports): Yes X No ____

Indicate by check mark whether the registrant has been subject to the filing requirements for at least the past 90 days:

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

646,044 shares of Class A Common Stock, no par value, as of March 31, 1992

Exhibit index on page N/A

Page 1 of 21 pages

PROCESSED BY
MAY 18 1992

L30

Microfilmed by
Q-Data Corp. - St. Petersburg, Fl.

CAPITAL RESERVE CORPORATION

TABLE OF CONTENTS

Page

Part I. Financial Information

Item 1. Financial Statements

Consolidated Balance Sheets as of March 31, 1992 and December 31, 1991 F-1

Consolidated Statements of Operations for the Three-Month Periods Ended March 31, 1992 and 1991 F-3

Consolidated Statements of Changes in Stockholders' Equity for the Year Ended December 31, 1991 and the Three Months Ended March 31, 1992 F-4

Consolidated Statements of Cash Flows for the Three Month-Periods Ended March 31, 1992 and 1991 F-5

Notes to Consolidated Financial Statements F-7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations F-15

CAPITAL RESERVE CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
Cash	$ 402,361	$ 343,313
Invested Assets (Notes 2 and 8):		
Fixed maturities	6,677,935	6,947,060
Equity securities	1,334,515	1,076,946
Real estate - net	347,200	350,000
Mortgage loans	584,929	592,445
Policy loans	45,791	37,248
Other long-term investments	24,464	24,464
Short-term investments	370,581	200,905
Total Cash and Invested Assets	9,787,776	9,572,381
Receivables - Related Parties	162,182	162,664
Other Amounts Receivable:		
Due and uncollected premiums	39,795	49,933
Investment income due and accrued	147,698	169,212
Due from agents	133,689	117,214
Stock subscriptions	-	25,000
Other	34,301	30,837
Less allowance for doubtful accounts	(108,230)	(92,830)
Net Amounts Receivable	247,253	299,366
Property and Equipment - Net	106,537	92,038
Deferred Policy Acquisition Costs (Note 8)	2,489,910	2,489,618
Intangible Assets - Net	14,967	15,016
Prepaids and Other Assets	23,919	21,296
Goodwill - Net (Notes 1 and 8)	1,892,282	1,905,409
TOTAL ASSETS	$14,724,826	$14,557,788

Note: The balance sheet at December 31, 1991 is taken from the audited financial statements at that date.

The accompanying notes are an integral part of the consolidated financial statements.

CAPITAL RESERVE CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS, CONTINUED

	March 31, 1992 (Unaudited)	December 31, 1991
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Future policy benefits - Life (Note 8)	$10,947,980	$10,799,995
Coinsurance agreement payable (Note 8)	403,384	450,921
Coinsurance administrative expense reserve (Note 8)	54,410	57,052
Policy claims	57,680	82,948
Other policy liabilities	102,603	101,314
Premium received in advance	91,328	90,239
9-1/4% senior convertible subordinated notes (Note 4)	66,000	66,000
Other liabilities - related parties (Note 7)	559,000	559,000
Accounts payable and accrued expenses	258,191	226,546
Income taxes payable currently	-	5,546
Total Liabilities	12,540,576	12,439,561
Commitments and Contingencies (Note 8)		
Minority Interest in Equity of Subsidiary	277,687	342,100
Stockholders' Equity (Notes 4, 5, 6 and 7)		
Class A common stock, no par value, 20,000,000 shares authorized, 646,044 shares issued and outstanding at March 31, 1992 and December 31, 1991, aggregate liquidation value of $64,604	3,144,102	3,144,102
Class B preferred stock, no par value, 250,000 shares authorized, 250,000 shares issued and outstanding, no liquidating preference	50,000	50,000
Unrealized (depreciation) on equity securities	(90,958)	(148,681)
Retained (deficit)	(1,161,544)	(1,234,257)
	1,941,600	1,811,164
Less Common Stock of Parent Held by Consolidated Subsidiaries (9,600 shares)	(35,037)	(35,037)
TOTAL STOCKHOLDERS' EQUITY	1,906,563	1,776,127
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$14,724,826	$14,557,788

Note: The balance sheet at December 31, 1991 is taken from the audited financial statements at that date.

The accompanying notes are an integral part of the consolidated financial statements.

CAPITAL RESERVE CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Premiums - Life and Annuities	$ 265,752	$ 352,023
Net Investment Income	217,556	201,918
Commissions and Other Income	4,175	7,048
Realized Gains	112,019	16,828
Total Income	599,502	577,817
Death and Other Benefits	173,582	142,840
Increase in Future Policy Benefits	100,448	153,547
Amortization of Deferred Policy Acquisition Costs	-	10,546
Commissions	40,900	75,415
General Expenses	299,054	251,274
Taxes, Licenses and Fees	14,996	12,253
Interest Expense	16,827	16,821
Coinsurance Expense	4,512	6,459
Total Benefits and Expenses	650,319	669,155
(Loss) from Operations before Minority Interest and Federal Income Taxes	(50,817)	(91,338)
Minority Interest in Loss of Consolidated Subsidiary	123,530	61,941
Earnings (Loss) from Operations before Federal Income Taxes	72,713	(29,397)
Federal Income Taxes Credit:		
Current	-	-
Deferred	-	-
Net Earnings (Loss)	$ 72,713	$ (29,397)
Net Earnings (Loss) per Common Share:		
Primary	$ .11	$ (.05)
Fully Diluted	$ .09	$ -
Weighted Average Number of Common Shares Outstanding:		
Primary	646,044	646,044
Fully Diluted	846,044	-

The accompanying notes are an integral part of the consolidated statements.

CAPITAL RESERVE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Year Ended December 31, 1991 and The Three Months Ended March 31, 1992

	Class A Common Stock		Class B Preferred Stock		Unrealized (Depreciation) on Equity Securities	Retained (Deficit)
	Shares	Amount	Shares	Amount		
Balance, January 1, 1991	646,044	$3,144,103	250,000	$ 50,000	$ (277,726)	$(1,196,421)
Unrealized investment gain (Note 2)	-	-	-	-	129,045	-
Repurchase and cancellation of partial shares (Note 5)	-	(1)	-	-	-	-
Net (loss) for the year ended December 31, 1991	-	-	-	-	-	(37,836)
Balance, December 31, 1991	646,044	3,144,102	250,000	50,000	(148,681)	(1,234,257)
Unrealized investment gain (Note 2)	-	-	-	-	57,723	-
Net earnings for the three months ended March 31, 1992 (unaudited)	-	-	-	-	-	72,713
Balance, March 31, 1992	646,044	$3,144,102	250,000	$ 50,000	$ (90,958)	$(1,161,544)

CAPITAL RESERVE CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Cash Flows from Operating Activities:		
Net earnings (loss)	$ 72,713	$ (29,397)
Adjustments to reconcile net earnings (loss) to net cash provided (used) by operating activities:		
Minority interest in (loss) of consolidated subsidiary	(123,530)	(61,941)
Depreciation and amortization	24,882	23,542
(Gain) on sale of assets	(112,019)	(16,828)
Provision for loss on doubtful accounts	15,400	-
Decrease in due and uncollected premiums	10,138	21,453
Decrease in accrued investment income	21,514	394
(Increase) decrease in due from agents	(16,475)	2,786
(Increase) in other receivables	(3,464)	(42,260)
(Increase) decrease in deferred policy acquisition costs	(292)	10,546
(Increase)in prepaids and other assets	(2,623)	-
Increase in future policy benefits	147,985	198,116
(Decrease) in coinsurance agreement payable	(47,537)	(44,569)
(Decrease) in coinsurance administrative expense reserve	(2,642)	(2,642)
(Decrease) increase in policy claims	(25,268)	4,831
Increase (decrease) in other policy liabilities	1,289	(6,891)
Increase (decrease) in premium received in advance	1,089	(2,240)
Increase in accounts payable and accrued expenses	31,645	11,310
(Decrease) in income taxes payable currently	(5,546)	-
Total Adjustments	(85,454)	95,607
Net Cash (Used) Provided by Operating Activities	(12,741)	66,210
Cash Flows from Investing Activities:		
Purchase of fixed assets	(23,406)	-
Principal received on mortgage loans	7,516	7,818
Principal received on loans - officers	482	765
Proceeds from (purchase of) fixed maturity and equity security investments	181,299	(515,354)
(Increase) decrease in policy loans	(8,543)	(668)
Net Cash (Used) by Investing Activities	157,348	(507,439)

Continued on Next Page

CAPITAL RESERVE CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Cash Flows from Financing Activities:		
Payments under obligation under capital lease	$ -	$ (1,818)
Proceeds from issuance of notes	-	500
Proceeds from issuance of Class A common stock by consolidated subsidiary	84,500	180,492
Payments of offering costs of consolidated subsidiary	(383)	-
Payments on debt	-	(4,629)
Net Cash Flows from Financing Activities	84,117	174,545
Net (Decrease) in Cash and Short-Term Investments	228,724	(266,684)
Cash and Short-Term Investments - Beginning of Year	544,218	611,564
Cash and Short-Term Investments - End of Year	$ 772,942	$ 344,880
Cash	$ 402,361	$ 220,520
Short-Term Investments	370,581	124,360
	$ 772,942	$ 344,880
Supplemental Disclosures of Cash Flow Information:		
Cash paid for:		
Interest	$ -	$ 3,374
Taxes	$ 5,546	$ -

Supplemental Schedule of Noncash Investing and Financing Activities:

During the three months ended March 31, 1991, a subsidiary of the Company escrowed amounts received under a stock offering in the amount of $86,000.

Disclosure of Accounting Policy:

For purposes of the statement of cash flows, the Company considers short-term investments with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the consolidated financial statements.

CAPITAL RESERVE CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

The management of Capital Reserve Corporation believes that all adjustments (consisting only of normal recurring accruals and adjustments) necessary to present fairly the consolidated financial position of Capital Reserve Corporation and subsidiaries as of March 31, 1992 and December 31, 1991, the consolidated results of operations for the three month periods ended March 31, 1992 and 1991, and cash flows for the three-month periods then ended have been included in the accompanying consolidated financial statements.

Principles of Consolidation

The consolidated financial statements at March 31, 1992 and December 31, 1991 include the accounts and operations of Capital Reserve Corporation (CRC) (Company) and its wholly-owned subsidiaries, Capital Reserve Marketing Corporation (CRM), Capital Reserve Investment Corporation (CRI), First West Life Insurance Company (FWLIC), Flexible Benefits, Inc. (FBI), and First West Life Insurance Company of New Mexico (FWNM).

The financial statements also include the accounts and operations of Premier Capital Investment Corporation (Premier) and its subsidiary, Premier Ventures, Inc. (Ventures) and Premier Income Development Corporation (Development). CRC does not own a majority interest in Premier but has significant control over the operations of Premier. All significant intercompany accounts and transactions have been eliminated.

Organization

CRC was organized on August 3, 1982 for the purpose of operating as a financial services holding company. On September 8, 1983, CRM was organized as a wholly-owned subsidiary of CRC to establish an insurance agency to market insurance for CRC and other insurance companies. On December 13, 1985 CRI was organized as a wholly-owned subsidiary of CRC. CRI is currently providing a premium finance program for FWLIC policies. CRC and subsidiaries reported as development stage enterprises prior to April 20, 1988, when CRC completed its public offering and subsequently acquired the life insurance company subsidiary (see Note 7).

Premier was organized on August 11, 1988 for the purpose of conducting business as a financial service holding company with emphasis in the life insurance industry. CRC owns 100% of the Class B common stock of Premier. Premier is offering Class A common stock under a private offering. Premier's Class A common stock issued and outstanding, less applicable offering costs and minority interest in the loss, are reflected in these financial statements as a minority interest in consolidated subsidiary. Premier has two sibsidiaries, Ventures, which was organized on September 17, 1990, in the State of Maryland, and Development, which was organized on August 7, 1991, in the State of Delaware, both for the purpose of conducting

(1) Summary of Significant Accounting Policies, Continued

Organization, Continued

business as a financial service holding company with emphasis in the life insurance business. Ventures and Development are in the development stage and are primarily engaged in raising capital for the formation or acquisition of an insurance company or other financial service business. At March 31, 1992, Ventures had received $246,900 net of refund for capital stock subscribed as part of a $250,000 minimum escrow requirement. This minimum escrow requirement was met in April, 1991, and the escrowed cash was released to Ventures. Subsequent to April, 1991, $3,100 was refunded to one investor.

At March 31, 1992 and December 31, 1991, Development had received $206,000 and $146,500 for capital stock subscribed as part of its offering of its common stock. In February 1992, Development terminated its offering of common stock (See Note 8).

Earnings Loss per Share

Earnings (loss) per share based on shares outstanding was computed by dividing the net earnings (loss) for the period by the weighted average number of common shares outstanding during the period. The fully diluted computation, assuming conversion of the Class B preferred stock (Note 5) and exercise of warrants (Note 6), resulted in anti-dilution for the three months ended March 31, 1991.

Investments

Investments are shown on the following bases:

1. Fixed maturities (bonds and redeemable preferred stocks), other than those with values determined to be impaired, are carried at amortized cost in the consolidated balance sheets because the Company intends to hold them until maturity or such time that disposal will not result in a material adverse impact upon the Company's financial statements. The Company's investment management policies include continual monitoring and evaluation of securities market conditions and circumstances relating to the Company's investment holdings which may result in selection of investments, including fixed maturity issues, for sale prior to maturity.

2. The Company's investments in preferred stocks (other than redeemable preferred stocks) and common stocks (Equity Securities) are carried at market value in the accompanying balance sheets. Net unrealized losses on equity securities are included in stockholders' equity as of March 31, 1992 and December 31, 1991.

(1) Summary of Significant Accounting Policies, Continued

Investments, Continued

3. Mortgage loans on real estate are reported at unpaid principal balances. Management continually reviews loans to determine if allowance for loan loss is necessary. At the balance sheet dates, no allowance has been provided.

4. Real estate acquired through foreclosure is shown at the carrying amount of the related loan plus certain capitalizable costs incurred on the property. Real estate purchased for rental purposes is shown at cost, net of accumulated depreciation.

5. Policy loans are reported at unpaid balances.

6. Other long-term investments and short-term investments are carried at cost, which approximates market.

Gains and losses realized on disposal of investments are recognized using the specific identification method. Unrealized gains or losses on equity securities are credited or charged directly to a separate stockholders' equity account.

Deferred Policy Acquisition Costs

Those costs of acquiring new life insurance business which vary with and are primarily related to the production of new business have been deferred (principally commissions and certain issuance and underwriting costs). These deferred policy acquisition costs are being amortized over the future earnings of the related contract in proportion to the ratio of expected annual earnings to expected total earnings. Such expected earnings are estimated using assumptions consistent with those used in computing the liability for future policy benefits.

Property and Equipment

Property and equipment includes furniture and fixtures, vehicles, computer hardware and software, stated at cost, net of accumulated depreciation. These assets are depreciated on a straight-line basis over their estimated useful lives.

Recognition of Premium Revenue and Future Policy Benefits

A benefit reserve fund is held on behalf of a policyholder. No earnings are recognized at the moment a premium is received; the entire premium (less collection and administrative costs) is credited to this liability account. Over the lifetime of the contract, the benefit reserve fund increases with the addition of premium payments and interest and is reduced by deductions for mortality charges, surrenders, and collection and administration expenses. These expenses are the functional expenses provided to the policyholder by the Company.

(1) Summary of Significant Accounting Policies, Continued

Liability for Policy Claims

The liability for unpaid claims and claim adjustment expenses is based on the estimated amount payable on claims reported prior to the balance sheet date which have not yet been settled, claims reported subsequent to the balance sheet date which have been incurred during the period then ended, and an estimate (based on prior experience) of incurred but unreported claims relating to such period.

Intangible Assets

The amortized portion of goodwill, represents the excess of cost over the value of net assets acquired in subsidiary acquisitions accounted for by the purchase method. Goodwill is being amortized on the straight-line basis over a forty-year period.

Organization costs and other intangibles are amortized on the straight-line basis over a five-year period.

Deferred Offering Costs

Deferred offering costs represent amounts incurred for legal, accounting and registration fees in connection with the public offering of the Company or its consolidated subsidiary's common stock. These costs are offset against the proceeds received from the offering.

Income Taxes

Deferred income taxes are provided for timing differences between reporting of income for financial statement purposes and tax purposes. Such differences result primarily from deducting policy acquisition costs as incurred and using different calculations of future policy benefits for tax purposes. Tax on income for the life insurance subsidiaries are reported separately from that of nonlife insurance subsidiaries. The provision for taxes in the consolidated income statements represents the tax for all companies on a combined basis, excluding that attributable to the Premier Companies, who each file separately.

New Accounting Standards

In late 1987, the Financial Accounting Standards Board issued a new standard on accounting for income taxes.

The effective date of the new standard on accounting for income taxes has been deferred to years beginning after December 15, 1992. This standard was adopted in 1990 by applying the cumulative effect of the change to retained earnings of the earliest period presented.

(2) Investments

The Company's investments in preferred stocks (other than redeemable preferred stocks) and common stocks (Equity Securities) are carried at market value in the accompanying balance sheets at March 31, 1992 and December 31, 1991. The related valuation allowances, titled "Unrealized (Depreciation) on Equity Securities," in the amounts of $(90,958) and $(148,681) are included instockholders' equity at March 31, 1992 and December 31, 1991, respectively. The cost and market value of the Company's consolidated investments in Equity Securities at March 31, 1992 and December 31, 1991 are presented below.

	March 31, 1992	December 31, 1991
Adjusted cost	$ 1,425,473	$1,225,627
Market	(1,334,515)	(1,076,946)
Unrealized loss	$ (90,958)	$ (148,681)

Bonds and redeemable preferred stocks (Fixed Maturities) are carried at amortized cost in the consolidated balance sheets and are not subject to a valuation allowance.

(3) Notes Receivable and Payable - Related Parties

The Company has the following receivables from officers and/or directors of CRC or its consolidated subsidiaries at March 31, 1992 and December 31, 1991.

	March 31, 1992	December 31, 1991
Mortgage notes receivable, interest at 9%, payable annually for five years, thereafter monthly principal and interest payments, secured by real estate	$ 158,286	$ 158,768
Loan receivable - officer of CRC	3,896	3,896
	$ 162,182	$ 162,664

(4) Senior Convertible Subordinated Notes Payable

In September, 1990, the Company commenced a private placement offering which was completed on November 30, 1990, for the sale of up to $500,000 aggregate principal amount of 9.25% senior convertible subordinated notes due October 31, 1995 (Notes). Each Note shall have a minimum denomination of $5,000. Interest on the Notes is payable semiannually, beginning May 1, 1991. At the option of the holder, such holder may convert all or part of

(4) Senior Convertible Subordinated Notes Payable, Continued

the principal amount of the Note any time through October 31, 1995. The number of shares of the Company's no par common stock issuable upon conversion of a Note shall be determined by dividing the principal amount of such Note to be converted by the applicable common stock conversion price of $9.09 per share, subject to adjustment for dividends, stock splits or the issuance of stock warrants or rights entitling the common stockholders, within 45 days of issuance, to subscribe for or purchase shares of common stock at a price per share less than the current market price per share of common stock, the common stock conversion price shall be proportionately adjusted.

The Company shall have the right at any time during the common stock conversion period to redeem all of the Notes at an initial amount equal to 105% of the then outstanding principal amount, together with interest accrued to the redemption date, and declining 1% annually thereafter. At March 31, 1992 and December 31, 1991, the Company had outstanding notes in the amount of $66,000.

(5) Stockholders' Equity

On September 21, 1990, the Company amended its Articles of Incorporation to provide for the conversion of ten shares of Class A common stock to one share of Class A common stock and to change the Class A common stock and Class B preferred stock from a par value of $.01 per share to no par value per share. All per share amounts have been retroactively restated to reflect this change.

The holders of the shares of Class A common stock and Class B preferred stock are entitled to one vote per share and each class shares equally in any dividends declared. Neither class of stock has preemptive rights. In the event of dissolution or liquidation of the Company, the holders of shares of Class A common stock shall be paid the liquidation price of $.10 per share of Class A common stock before any assets are distributed to the holders of shares of Class B preferred stock. After the holders of Class A common stock have received the liquidation price, any remaining amount shall be distributed pro rata to the holders of shares of both Class A common stock and Class B preferred stock. The holders of shares of Class B preferred stock shall have the right to elect a majority of the directors of the Company. Each share of Class B preferred stock may be converted into eight shares of Class A common stock (with appropriate adjustment of the conversion ratio for any stock splits, stock dividends or recapitalization) (.8 shares as restated) when the Company's life insurance company subsidiary shall have sold or acquired sufficient life insurance so that total annualized premium income equals or exceeds $1,000,000 or the aggregate face amount of its life insurance in force equals or exceeds $50,000,000. During 1991, the life insurance subsidiary exceeded these thresholds.

(6) Public Offering

On September 22, 1986, the Company began a public offering of 6,000 units, consisting of 3,000,000 shares of the Company's Class A common stock and 1,500,000 warrants, at $500.00 per unit. Each unit consists of 50 shares (as restated) of the Company's Class A common stock and a varying number of warrants. Each warrant entitles the holder to purchase one-tenth of one share of the Company's Class A common stock at a price of $1.00 (as restated). The warrants expire five years from the date of the prospectus, but *may be called by the Company at any time after one year at a price of $.10* per warrant (as restated). The warrants expired on September 22, 1991, without any being exercised.

On April 20, 1988, the public offering was closed with 4,002 units being sold consisting of 200,100 shares of Class A common stock and 1,250,250 warrants for $2,001,000 and incurred costs in connection with the public offering of $285,069.

(7) Acquisition of Life Insurance Company

Effective on June 29, 1988, the Company acquired 100% of the outstanding stock of FWFS and its subsidiary, FWLIC, a life insurance company, in exchange for 1,000,000 shares of the Company's Class A common stock with an estimated fair market value of $1.00 per share, $931,304 in cash and a liability to the shareholders of the life insurance company of $459,000. In addition, the Company incurred acquisition costs of $26,585 for legal and actuarial fees. This transaction was accounted for using the purchase method of accounting. The liability to the shareholders of the life insurance company accrues interest at 9%. The due date of the liability to the former shareholders of the life insurance company is contingent upon the life insurance company creating a minimum stated surplus or a sale of certain business assets at a minimum stated amount.

In connection with the acquisition of the life insurance company, the Company agreed to pay the sellers an additional $150,000 if a certain price and marketability of the stock issued in the acquisition is not attained at the end of two years following the date of purchase.

This additional liability was recorded in 1989 by a charge against additional contributed capital. The balance of these liabilities at March 31, 1992 and December 31, 1991 is $559,000.

(8) Commitments and Contingencies

Reinsurance/Coinsurance Agreements

FWLIC reinsures a portion of the insurance it writes with another insurance company. Generally, the maximum amount of insurance retained on any one life is $10,000.

(8) Commitments and Contingencies, Continued

Reinsurance/Coinsurance Agreements, Continued

FWLIC entered into a coinsurance agreement in 1986 and was granted surplus relief on a block of paid up insurance policies. For statutory and tax purposes, the amount of initial reserve credit received under the agreement reduced the liability for future policy benefits and consequently increased net earnings in 1986. Under generally accepted accounting principles, the reserve credit amounts of $403,384 and $450,921 at March 31, 1992 and December 31, 1991, respectively, are reflected as payables. In addition, the present value of future expenses relating to claim administration of these co-insured, paid-up policies has been set up as reserves in the amounts of $54,410 and $57,052 at March 31, 1992 and December 31, 1991, respectively.

Under this agreement, certain investments having a face value at March 31, 1992 of approximately $2.8 million have been placed in escrow. The interest generated on these investments is reduced by the coinsurance interest paid and any claims paid on the coinsured block of policies. This net result then reduces the amount of reserve credit available, under a quarterly calculation.

The Company is contingently liable for the portion of the policies reinsured and coinsured in the event the reinsuring/coinsuring companies are unable to pay their portion of any resulting claim. Management believes that any liability in this connection is extremely unlikely. FWLIC does not assume insurance from other unaffiliated companies.

Development's Offering of Common Stock

Development, a subsidiary of Premier, offered to sell 500,000 shares of its $.01 par vlaue common stock for $1.00 per share pursuant to an offering memorandum dated August 12, 1991. As of March 31, 1992, Development had sold 206,000 shares of its common stock for $206,000. In February 1992, the Delaware Division of Securities (Division) requested additional information regarding Development's offering of its common stock in the State of Delaware, at which time Development suspended its offering of common stock. On March 11, 1992, the Division issued a cease and desist order against Development to prevent it from selling additional shares of its common stock, alleging certain violations of Delaware's Securities Act (Act). The order also provided for fines of $10,000 for each and every violation and to rescind the offering. In April 1992, the allegations were dropped and the cease and desist order was lifted.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity

The liquidity requirements of the Company are met primarily by cash flows from operations of its life insurance subsidiaries.

Premium and investment income as well as maturities and sales of invested assets provide the primary sources of cash available at the life insurance subsidiaries, while cash is applied by such subsidiaries to pay policy benefits and policy loans, costs of acquiring new business (principally commissions), and operating expenses as well as purchases of new investments. Net cash provided from operating activities of insurance subsidiaries amount to $20,767 in 1992 versus $188,490 in 1991.

It should be noted that payment of dividends from the life insurance subsidiaries for application toward liquidity needs at the parent level (including overhead costs, interest on indebtedness and dividends) may require regulatory approval in cases where such dividends exceed certain guidelines based on regulatory net earnings and regulatory capital and surplus as reported to regulatory authorities on the basis of statutory accounting practices. The life insurance subsidiaries reported regulatory net earnings of $40,009 for the year ended December 31, 1991, and regulatory capital and surplus of $905,122 as of December 31, 1991. Even though no dividends have been paid to the parent, management would consider, among other factors, insurance industry rating agency criteria which are based primarily upon the statutory financial position of life insurance companies, in determining the timing and amount of such dividends. In addition, loans or advances from the life insurance subsidiaries to the parent are limited to the extent that the parent has liquid assets with which to repay the balance and otherwise maintain its account on a current basis.

In addition to the liquidity factors at the subsidiary level previously discussed, cash requirements at the parent company level for interest on indebtedness, debt repayment and overhead are a key factor in the company's overall liquidity situation. For the periods ended March 31, 1992 and 1991, the aforementioned items totaled $122,061 and $151,174, respectively. Operating expenses incurred at the parent company level are reimbursed by means of a management fee charged by the parent to the subsidiary. The management fee paid to the parent for the three months ended March 31, 1992 and 1991 were $134,500 and $100,000, respectively. On a consolidated basis, net cash (used) provided by operating activities amounted to $(12,741) and $66,210 in 1992 and 1991, respectively. Cash flows from investing activities for the periods ended March 31, 1992 and 1991 reflect net sales (purchases) of investments of $181,299 and ($515,354), respectively. The 1992 and 1991 sales of investments resulted in a pretax capital gain of $112,019 and $16,828, respectively. As discussed in Note 1 to the consolidated financial statements, the company's investment management policies include continual evaluation of securities market conditions and circumstances relating to particular investment holdings which may result in selection of fixed maturity or other investments for sale prior to maturity. However, except where impairment of value is determined to have been experienced, it is the Company's intention to hold such investments until maturity or such time that disposal will not result in a material adverse impact upon the company's financial statements. Based upon current evaluation of the paying status of the Company's fixed maturity investments and anticipated sales of fixed maturity investments and anticipated continuation of the aforementioned investment policies, any sales of fixed maturity investments and retention of certain securities with current market value less than book value are not anticipated to result in a material adverse impact upon investment yield of the life insurance subsidiaries.

At March 31, 1992 and December 31, 1991, 95% of corporate bonds held in the company's bond portfolio are rated as investment grade by Standard and Poor's.

The company's investment in mortgage loans totaled $584,929 and $592,445 at March 31, 1992 and December 31, 1991, respectively. These mortgage loans are performing and are secured by residential property located in the State of Colorado.

Capital Resources

In August, 1990, the company commenced a private placement to sell up to $500,000 of 9.25% senior convertible subordinated notes. These notes have a scheduled maturity on October 31, 1995 and may be converted into common stock at the option of the holder at any time during the period through October 31, 1995. (See Note 4 to the consolidated financial statements.) The proceeds of the notes were used to purchase preferred stock of First West which increased the regulatory capital and surplus of First West Life. As of March 31, 1992, the company had $66,000 in aggregate principal amount of notes outstanding. In 1990, First West organized First West Life Insurance Company of New Mexico (New Mexico Life), a wholly-owned subsidiary, to write insurance in the State of New Mexico. In March, 1991, New Mexico Life received its certificate of authority from the State of New Mexico. New Mexico Life began writing insurance during the second quarter of 1991.

Results of Operations

For the period ended March 31, 1992, premium income decreased $86,271 or 24.5% as compared to 1991. This decrease is due to the mix of the policy type and an improvement in the Company's lapse rate (renewal business). Premiums on the Company's industrial 10 and 20 year pay policies which the Company no longer writes, continue to decline due to the fact that those policies are approaching their respective paid up dates. Premiums from new ordinary life policies declined approximately $98,000 as compared to the corresponding 1991 period, while renewal premium on ordinary life policies increased by approximately $20,000. The improvement in lapse rate is primarily due to the increase in funeral contracts written which historically have produced a higher rate of renewal than other policies written by the Company.

The decline in policy benefits, amortization of deferred policy acquisition costs and commission corresponds with the decline in premium income.

The 1992 and 1991 consolidated financial statements include the results of operations of Premier and its subsidiaries, Ventures and Development. Those companies incurred $125,318 in expenses as compared to $1,788 in revenues for the period ended March 31, 1992, and $62,279 in expenses as compared to $338 in revenues for the period ended March 31, 1991.

General expenses increased by $47,780 in 1992 as compared to 1991, or 19%. This increase is primarily attributed to the increase in expenses of Premier and its subsidiaries.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Not applicable.

Item 2. Changes in Securities.

Not applicable.

Item 3. Defaults upon Senior Securities.

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits and reports on Form 8-K.

(a) Exhibits. None.

(b) Reports on Form 8-K. None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CAPITAL RESERVE CORPORATION
(Registrant)

Date: 5-14-92

By:
Dennis G. Haley
Principal Financial, Accounting
Officer and Executive Vice
President

0 6419

31

92 13 7993

Q 356052

RECD S.E.C.
MAY 14 1992
131

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

892-2205

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

PROCESSED BY
31 - 10 - X
MAY 18 1992

Commission File Number 0-15386

CERNER CORPORATION
(Exact name of registrant as specified in its charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

C39

Delaware (State or other jurisdiction of incorporation or organization)	43-1196944 (I.R.S. Employer Identification Number)

2800 Rockcreek Parkway, Suite 601
Kansas City, Missouri 64117
(816) 221-1024
(Address of Principal Executive Offices, including zip code;
registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) with the Commission, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

There were 6,343,652 shares of Common Stock, $.01 par value, outstanding at March 31, 1992.

BEST COPY
AVAILABLE

CERNER CORPORATION AND SUBSIDIARIES

INDEX

		Page
Part I.	Financial Information:	
Item 1.	Financial Statements:	
	Consolidated Balance Sheets as of March 31, 1992 (unaudited) and December 31, 1991	1
	Consolidated Statements of Earnings for the three months ended March 31, 1992 and 1991 (unaudited)	2
	Consolidated Statements of Cash Flows for the three months ended March 31, 1992 and 1991 (unaudited)	3
	Notes to Consolidated Financial Statements	4
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	5
Part II.	Other Information:	
Item 6.	Exhibits and Reports on Form 8-K	7

Part I. Financial Information
Item 1. Financial Statements

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands)	March 31, 1992 (Unaudited)	December 31, 1991
Assets		
Current Assets:		
Cash and short-term investments	$ 10,383	$ 8,694
Receivables	24,689	29,304
Inventory	1,806	1,454
Prepaid expenses and other	704	279
Total current assets	37,582	39,731
Property and equipment, net	7,159	6,412
Software development costs, net	9,884	9,482
Other assets	530	530
	$ 55,155	$ 56,155
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 5,868	$ 11,053
Notes payable	273	-
Current installments of long-term debt	803	438
Customer deposits and advanced billings	3,458	2,248
Accrued income taxes	1,317	1,218
Payroll tax withholdings and accrued expenses	3,007	2,186
Total current liabilities	14,726	17,143
Long-term debt, net	7,828	7,982
Deferred income taxes	3,513	3,513
Stockholders' Equity:		
Common stock, $.01 par value, 20,000,000 shares authorized, 6,856,670 shares issued in 1992 and 6,830,556 issued in 1991	69	68
Additional paid-in capital	16,924	16,812
Retained earnings	17,818	16,362
Treasury stock, at cost (513,018 shares in 1992 and 1991)	(5,693)	(5,693)
Foreign currency translation adjustment	(30)	(32)
Total stockholders' equity	29,088	27,517
	$ 55,155	$ 56,155

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)		Three Months ended March 31, 1992 (Unaudited)		1991 (Unaudited)
Revenues:				
System sales	$	13,539	$	13,344
Support and maintenance		6,076		4,519
Other		558		459
Total revenues		20,173		18,322
Costs and expenses:				
Cost of revenues		9,050		10,209
Installation and client service		3,547		2,619
Selling and marketing		1,595		1,422
Software development		2,125		1,555
General and administrative		1,427		997
Total costs and expenses		17,744		16,802
Operating earnings		2,429		1,520
Interest expense, net		81		137
Earnings before income taxes		2,348		1,383
Income taxes		892		519
Net earnings	$	1,456	$	864
Primary earnings per share	$	.21	$	.13
Primary weighted average shares outstanding		7,021		6,512
Fully diluted earnings per share	$	.21	$	.13
Fully diluted weighted average shares outstanding		7,073		6,618

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Three Months Ended March 31,	
	1992 (Unaudited)	1991 (Unaudited)
Cash flows from operating activities:		
Net earnings	$ 1,456	$ 864
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,084	846
Issuance of stock as compensation	5	11
Changes in assets and liabilities:		
Receivables	4,615	(5,624)
Inventory	(352)	(1,151)
Prepaid expenses and other	(425)	540
Accounts payable	(5,185)	5,958
Accrued income taxes	99	(43)
Deferred taxes	-	(587)
Other accrued liabilities	2,031	372
Total adjustments	1,872	322
Net cash provided by operating activities	3,328	1,186
Cash flows from investing activities:		
Purchase of capital equipment	(951)	(397)
Capitalized software development costs	(981)	(1,316)
Net cash used in investing activities	(1,932)	(1,713)
Cash flows from financing activities:		
Net borrowings under short-term notes payable	273	112
Proceeds from issuance of long-term debt	3,146	2,781
Repayment of long-term debt	(3,236)	(2,981)
Proceeds from exercise of options	108	-
Net cash provided by (used in) financing activities	291	(88)
Foreign currency translation adjustment	2	-
Net increase (decrease) in cash and short-term investments	1,689	(615)
Cash and short-term investments at beginning of period	8,694	7,056
Cash and short-term investments at end of period	$ 10,383	$ 6,441
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 156	$ 231
Income taxes, net of refund	786	297
Non-cash financing activities:		
Aquisition of equipment through capital leases	301	143

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Interim Statement Presentation

The consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-K.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position at March 31, 1992 and December 31, 1991 and the results of operations and cash flows for the periods presented. The results of the three month period is not necessarily indicative of the operating results for the entire year.

The Company adopted the provisions of Statement of Position 91-1 (SOP 91-1), "Software Revenue Recognition" in the fourth quarter of 1991 and, pursuant to the provisions of SOP 91-1, the consolidated statements of earnings and cash flows for the three months ended March 31, 1991 have been restated to retroactively apply these new accounting principles.

On April 8, 1992, the Company's Board of Directors announced a two for one stock split payable in the form of a 100 percent stock dividend to stockholders of record on April 20, 1992. The par value of the additional 3,171,826 shares of common stock issued in connection with the stock split was credited to common stock and a like amount charged to additional paid-in-capital. All share and per share data have been restated for all periods presented to reflect the stock split.

(2) Earnings Per Share

Net earnings per share for the three months ended March 31, 1992 and 1991 is based on the weighted average number of common shares and common share equivalents outstanding during those periods. Common share equivalents consist of shares issuable upon exercise of stock options and warrants using the treasury stock method.

(3) Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operation

System sales revenues for the three month period ended March 31, 1992 increased 1.5% over the same prior year period. Placements of PathNet laboratory systems have continued to be stronger over the last nine months and the demand for Cerner's RadNet radiology and PharmNet pharmacy systems continues to increase. These systems, as well as HNA and international contracts, contributed to the system sales revenues in the first quarter of 1992.

Support and maintenance revenues for the first quarter of 1992 increased 34% over the same prior year period due primarily to the increase in the Company's installed and converted client base. Other revenues as a percentage of total revenues were 3% in each of the first quarters of 1992 and 1991.

The profit margin percentage for the first quarter of 1992 was 55% compared to 44% for the first quarter of 1991. Revenues during the first quarter of 1992 included a large percentage of licensed software fees with no related direct costs. Contracts signed in the second half of 1991 and the first quarter of 1992 were at margin percentages higher than historical levels.

Total operating expenses for the three month period ended March 31, 1992 increased 32% over the same prior year period due primarily to increases in the number of employees and employee related expenses. The increase in the number of employees is due to the Company's expanding client base and continued development of clinical information systems.

Net interest expense was lower in the first quarter of 1992 compared to the same period in 1991. The Company refinanced a long-term note payable at a lower interest rate. Also, borrowings against the Company's short-term line of credit for financing contract receivables were lower during the first quarter of 1992 compared to 1991.

The Company's quarterly revenues and net earnings have historically been variable and cyclical. The variability is attributable primarily to the number and size of system sales in any fiscal quarter. The Company expects fluctuations in quarterly financial results to continue until the combination of the Company's recurring software and hardware maintenance revenues and total sales are much larger as compared to the size of the average system sale.

Capital Resources and Liquidity

The Company's liquidity position remains strong with total cash and short-term investments of $10,383,000 at March 31, 1992. The Company finances its operations, capital expenditures and working capital needs from internally generated funds and bank borrowings. The Company has a $10,500,000 long-term, revolving line of credit and a $8,000,000 line of credit for contract financing. At March 31, 1992, approximately $7,863,000 had been drawn under the long-term, revolving line of credit and approximately $273,000 had been drawn under the contract financing line of credit. The Company believes its present cash and short-term investment position together with cash generated from operations and the current bank borrowing facility will be sufficient to meet anticipated cash requirements.

Part II. Other Information

Item 6. **Exhibits and Reports on Form 8-K.**

(a) **Exhibits**

Exhibit 10	Amendment No. 2 to Commercial Lease Agreement, dated January 27, 1992, between Northtown Devco and Registrant
Exhibit 11	Computation of Earnings Per Share

(b) **Reports on Form 8-K**

No reports on Form 8-K were filed by the Company during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CERNER CORPORATION
Registrant

May 14, 1992
Date

By: Maureen M Evans
Maureen M. Evans
Treasurer and
Chief Financial Officer

EXHIBIT 10

LEASE AMENDMENT NO. 2

THIS AMENDMENT NO. 2 TO COMMERCIAL LEASE AGREEMENT made and entered into this 27th day of ~~February~~ January, 1992, by and between NORTHTOWN DEVCO, a Missouri General Partnership, having its office c/o Leo Eisenberg & Co., Inc., 1101 Walnut Street, Suite 800, Kansas City, Missouri, hereinafter called "Lessor", and CERNER CORPORATION, a Delaware corporation, having its office at Suite 601, Rockcreek IV Office Building, North Kansas City, Missouri, hereinafter called "Lessee".

W I T N E S S E T H:

WHEREAS, heretofore, under date of March 28, 1990, Lessor and Lessee did enter into that certain Commercial Lease Agreement (hereinafter referred to as the "Lease"), which was later amended by Amendment No. 1 dated June 25, 1990 to include the following described lease space:

A. That certain office building known as Rockcreek III, having an address of 2702 Rockcreek Parkway as shown on the floor plans marked as Exhibit A-1, A-2 and A-3, attached hereto and incorporated herein by reference remains the same and consists of 46,617 square feet; and

B. That certain office building known as Rockcreek IV, having an address of 2800 Rockcreek Parkway as shown on the floor plans marked as Exhibit B-2, B-3, B-4, B-5 and B-6, attached hereto and incorporated herein by reference, consisting of 60,652 square feet.

WHEREAS, it is the desire of the parties hereto to modify said Lease to increase the leased space in the Rockcreek IV Office Building by an addition of thirteen thousand six hundred eighteen (13,618) square feet, (hereinafter referred to as the "additional leased premises"), increasing the total leased premises in Rockcreek IV to seventy four thousand two hundred seventy (74,270) square feet, and accordingly, to change the monthly rental for the said leased space.

NOW, THEREFORE, in consideration of the premises and One Dollar ($1.00) in hand paid to each of the parties by the other, the Lessor and Lessee do agree to the following amendments to said Lease:

1. As of ~~March~~ April 1, 1992, the Lease shall cover one hundred twenty thousand eight hundred eighty seven (120,887) square feet composed of that leased space described as follows:

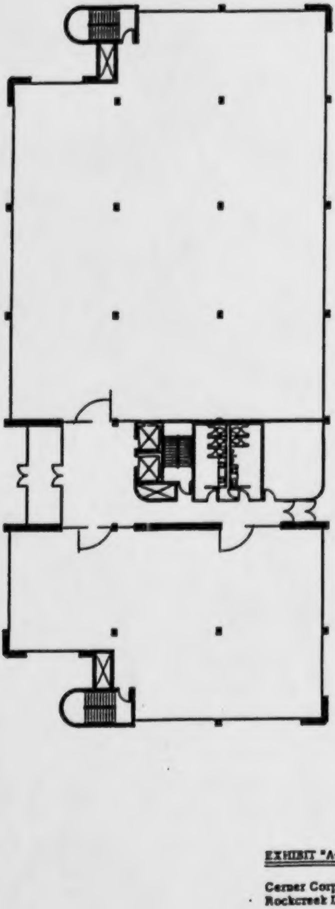
A. That certain office building known as Rockcreek III, having an address of 2702 Rockcreek Parkway as shown on the floor plans marked as Exhibit A-1, A-2 and A-3, attached hereto and incorporated herein by reference, consisting of 46,617 square feet; and

B. That certain office building known as Rockcreek IV, having an address of 2800 Rockcreek Parkway as shown on the floor plans marked as Exhibit B-1, B-2, B-3, B-4, B-5 and B-6 attached hereto and incorporated herein by reference, consisting of 74,270 square feet.

2. Paragraph III, entitled "Rental", is deleted in its entirety, and the following new Paragraph III is inserted in its place:

III. Rental: Effective ~~March~~ April 1, 1992, the basic rental for the premises shall be payable in monthly installments, without deduction or set off, in the following amounts during the following periods:

PERIOD	R/C III	EXISTING R/C IV	ADD'L. 13,618 S/F R/C IV	TOTAL RENT
~~3~~4/1/92-4/30/92	$34,962.75	$56,103.10	$11,348.33	$102,414.18
5/1/92-1/31/93	38,847.50	56,103.10	12,483.17	107,433.77
2/1/93-4/30/93	38,847.50	55,597.67	12,483.17	106,928.34
5/1/93-4/30/94	42,732.25	55,597.67	12,483.17	110,813.09
5/1/94-4/30/55	42,732.25	55,597.67	12,483.17	110,813.09

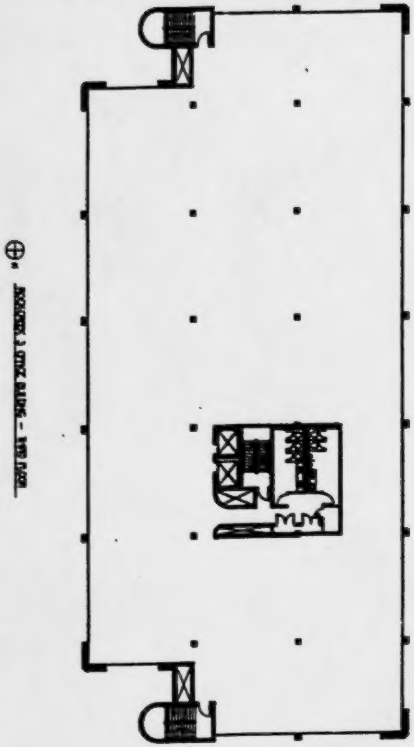


ROCKCREEK 3 OFFICE BUILDING – FIRST FLOOR

EXHIBIT "A-1"

Cerner Corporation
Rockcreek III

13,985 square feet


ROCKCREEK 3 OFFICE BUILDING - THIRD FLOOR

THIRD FLOOR

EXHIBIT "A- 3"

Carner Corporation
Rockcreek III

16,318 s.f.

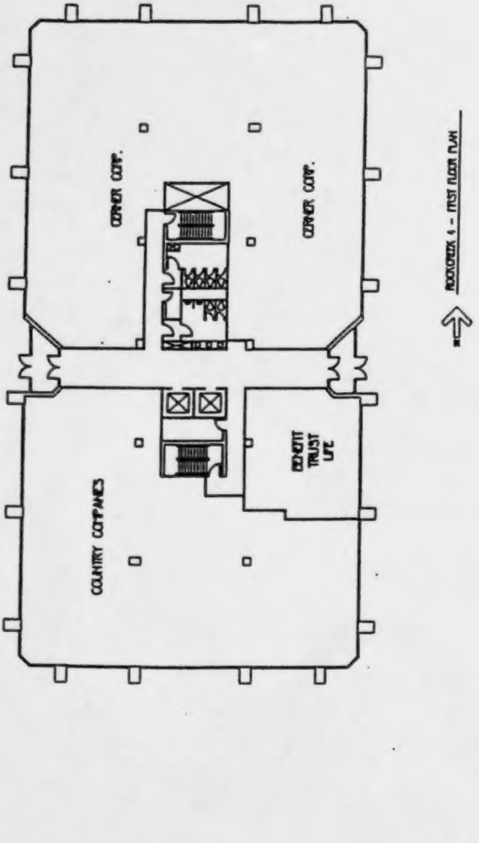
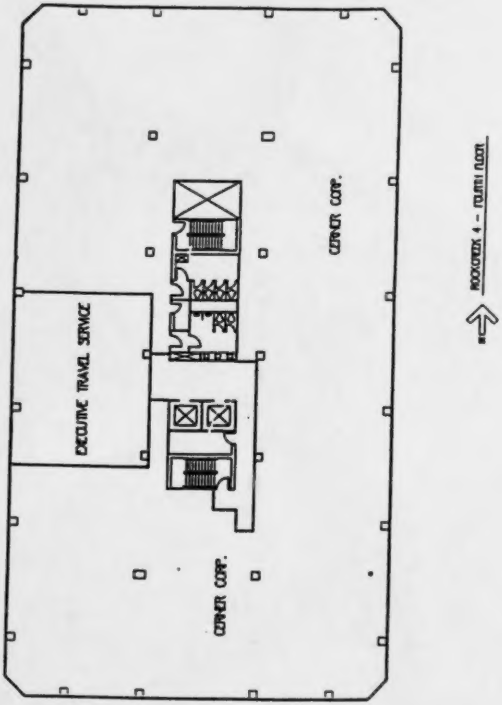

CORNER CORP.
CORNER CORP.
BENEFIT TRUST LIFE
COUNTRY COMPANIES
ROCKCREEK 4 – FIRST FLOOR PLAN

EXHIBIT "B-2"

Cerner Corporation
Rockcreek IV

6,372 square feet



EXECUTIVE TRAVEL SERVICE
CERNER CORP.
CERNER CORP.
ROCKCREEK 4 - FOURTH FLOOR

EXHIBIT "B-4"

Cerner Corporation
Rockcreek IV

14,392 square feet

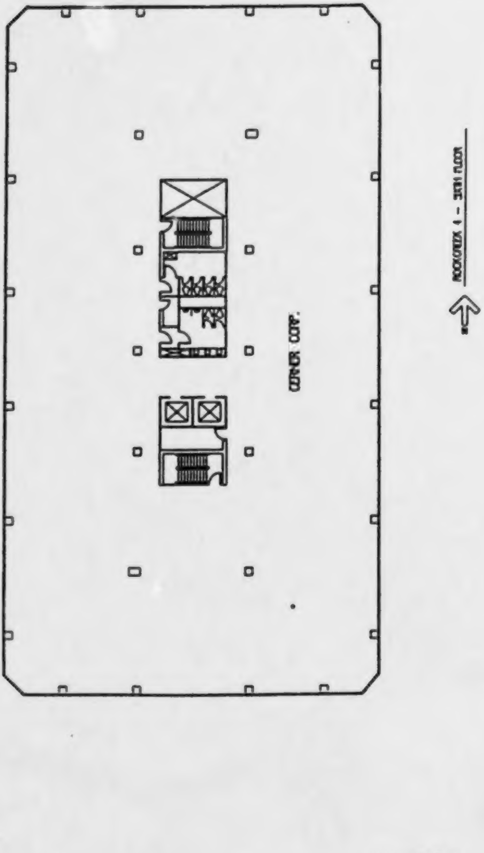

CERNER CORP.
ROCKCREEK 4 — 3RD FLOOR

EXHIBIT "B-6"

Cerner Corporation
Rockcreek IV

17,282 square feet

Exhibit 11

CERNER CORPORATION AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE

	Three Months Ended March 31,	
	1992	1991
Net earnings:	$ 1,456,000	$ 864,000
Weighted average number of common and common stock equivalent shares:		
Weighted average number of outstanding common shares	6,332,956	6,287,842
Dilutive effect (excess of number of shares issuable over number of shares assumed to be repurchased with the proceeds of exercised options and converted warrants based on the average market price during the period)	687,702	224,648
	7,020,658	6,512,490
Earnings per common and common stock equivalent shares:	$ .21	$ .13
Weighted average number of common and common stock equivalent shares, assuming full dilution:		
Additional dilutive effect (reduction in number of shares assumed to be repurchased with the proceeds of exercised stock options and converted warrants based on the end of the period market price of the stock, if higher than the average price)	52,008	105,956
	7,072,666	6,618,446
Earnings per common and common stock equivalent shares assuming full dilution:	$ .21	$ .13

O 2077

PROCESSED BY ①35650
9-9=7
MAY 18 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

92 14 1973

9

SEC MAIL
RECEIVED
MAY 15 1992
114
WASH, D.C.
SECTION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

L3Q For the period ended MARCH 31, 1992

OR

F92-22605

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ______________

Commission file number 0-3003

CNL FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

GEORGIA	58-0900608
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2960 RIVERSIDE DRIVE, MACON, GEORGIA	31204
(Address of principal executive offices)	(Zip Code)

(912) 477-0400
(Registrant's telephone number, including area code)

____
(Former name, address and fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) had filed all reports required to be mailed by Section 13 or 15(d) of The Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number shares outstanding of each of the issuer's classes of common stock, as of the latest praticable date.

CLASS	Outstanding at MAY 06, 1992
Common Stock, $1.00 Par Value	1,898,278

CNL FINANCIAL CORPORATION AND SUBSIDIARIES

INDEX

Part I.

Item 1. Financial Information

Consolidated Condensed Balance Sheets- March 31, 1992 and December 31, 1991 3

Consolidated Condensed Statements of Earnings- Three Months Ended March 31, 1992 and 1991 4

Consolidated Condensed Statements of Cash Flows- Three Months Ended March 31, 1992 and 1991 5

Note to Consolidated Condensed Financial Statements 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 7&8

Part II. Other Information:

Item 6. Exhibits and Reports on Form 8-K 9

ITEM 1. FINANCIAL INFORMATION

CNL FINANCIAL CORPORATION AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

ASSETS

	MARCH 31, 1992	DECEMBER 31, 1991*
Investments:	(Unaudited)	
Fixed maturities	$ 9,000,889	$ 8,430,261
Equity securities	1,282,160	1,934,494
Short-term investments	8,726,511	8,308,762
Other invested assets	4,049,091	3,732,100
Total investments	$ 23,058,651	$ 22,405,617
Cash	1,926,678	2,023,644
Accrued investment income	292,130	332,783
Receivables, principally uncollected premiums	3,659,644	3,700,451
Income tax receivable	103,903	86,277
Deferred policy acquisition costs	13,089,798	13,196,490
Net property and equipment	3,959,719	3,858,306
Other assets	338,888	259,284
	$ 23,370,760	$ 23,457,235

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 31, 1992	DECEMBER 31, 1991*
Policy liabilities and accruals:		
Future policy benefits	$ 1,583,369	$ 1,589,460
Unearned premiums	27,178,869	27,108,502
Life and accident & health claims	2,707,021	2,620,816
Property & casualty loss & loss expenses	612,225	574,272
Total policy liabilities and accruals	$ 32,081,484	$ 31,893,050
Other policyholders' funds	240,330	241,604
Deferred federal income taxes	765,781	763,611
Other liabilities	2,599,500	1,905,637
Total liabilities	$ 35,687,095	$ 34,803,902
Stockholders' equity:		
Common stock	$ 2,553,519	$ 2,553,519
Additional paid-in capital	505,474	505,474
Unrealized (depreciation)/appreciation of equity securities	73,487	257,753
Retained earnings	10,124,264	10,256,812
	$ 13,256,744	$ 13,573,558
Less cost of treasury stock	(2,514,428)	(2,514,608)
Total stockholders' equity	$ 10,742,316	$ 11,058,950
	$ 46,429,411	$ 45,862,852

*Condensed from Consolidated Balance Sheet included in the 1991 Annual Report to Stockholders.

See accompanying note to Consolidated Condensed Financial Statements.

CNL FINANCIAL CORPORATION AND SUBSIDIARIES

Consolidated Condensed Statements of Earnings

(Unaudited)

	THREE MONTHS ENDED MARCH 31,			
		1992		1991
Income:				
Life and accident & health earned premiums	$	4,417,231	$	4,363,831
Property & casualty earned premiums		1,583,151		1,073,100
Net investment income		331,106		393,963
Other income		163,809		137,412
Realized investment gains		25,035		3,597
Total income	$	6,520,332	$	5,971,903
Benefits and expenses:				
Life and accident & health benefits		1,994,439		1,687,014
Property & casualty loss and loss expenses		834,415		441,988
Amortization of deferred policy acquisition costs		2,221,895		2,047,647
Commissions (non−deferred)		660,833		867,206
Other expenses		944,302		819,093
Total benefits and expenses	$	6,655,884	$	5,862,948
Earnings/(Loss) before income taxes	$	(135,552)	$	108,955
Income taxes/(benefit)		(3,004)		20,681
Net earnings/(loss)	$	(132,548)	$	88,274
Earnings/(Loss) per share of common stock:				
Net earnings/(loss)	$	(0.07)		0.05
Cash dividends per share	$	0.000		0.060
Common shares used to compute		1,898,251		1,897,738

See accompanying note to Consolidated Condensed Financial Statements.

CNL FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Condensed Statements of Cash flows
(Unaudited)

	THREE MONTHS ENDED MARCH 31, 1992	THREE MONTHS ENDED MARCH 31, 1991
Cash flows from operating activities:		
Net earnings	$ (132,548)	$ 88,274
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Increase/(Decrease) in policy liabilities and accruals	188,434	(832,199)
Decrease in deferred policy acquisition costs	106,692	177,492
Other, net	747,760	407,904
Net cash provided/(used) by operating activities	$ 910,338	$ (158,529)
Cash flows from investing activities:		
Cost of investments acquired	$ (1,996,693)	$ (570,579)
Investments sold or matured	1,159,393	945,176
Purchases of Property and Equipment	(170,184)	(263,850)
Net cash provided/(used) by investing activities	$ (1,007,484)	$ 110,747
Cash flows from financing activities:		
Dividends paid to stockholders	$ 0	$ (113,864)
Sale of treasury stock	180	0
Net cash provided/(used) by financing activities	$ 180	$ (113,864)
Net decrease in cash	(96,966)	(161,646)
Cash at beginning of period	2,023,644	1,886,327
Cash at end of period	$ 1,926,678	$ 1,724,681

See accompanying note to Consolidated Condensed Financial Statements.

CNL FINANCIAL CORPORATION AND SUBSIDIARIES
Note to Consolidated Condensed Financial Statements
(Unaudited)

1. In the opinion of Management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (none of which were other than normal recurring accruals) necessary to present fairly the consolidated condensed financial position of CNL Financial Corporation and subsidiaries as of March 31, 1992 and the consolidated condensed results of operations for the three month periods ended March 31, 1992 and 1991 and the consolidated condensed statement of cash flows for the three month periods ended March 31, 1992 and 1991. Results of operations for the interim periods are not necessarily indicative of results for the entire year.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

QUARTER ENDING MARCH 31, 1992 COMPARED TO QUARTER ENDING MARCH 31, 1991

RESULTS OF OPERATIONS

The Company's written premiums increased 17.1% for the first quarter of 1992 as compared to the same period of 1991. Net written premiums for credit life and accident and health increased 8.0% to $4,131,910, while the property and casualty premiums increased 34.1% to $1,878,591. The net written premiums for the private passenger automobile product, which are included in the property and casualty net written premiums, increased approximately $715,000 from the first quarter of 1991 to approximately $1,076,000 for the first quarter of 1992. The Company's earned premium increased 10.4%. This increase in earned premium is attributable to the increases in written premiums in prior years as these premiums are earned over the term of the contracts.

Net investment income decreased 16.0% for the first quarter of 1992 as compared to the same period of 1991. The majority of this approximate $63,000 decrease in net investment income is attributable to the drop in the interest rates on short-term certificates of deposit experienced in 1991 and 1992, and, to a lesser degree, a decrease in new cash available for investment due to the increased claims payments. Management expects net investment income to remain at this lower level in the second quarter of 1992 unless interest rates increase.

The Company experienced a net loss of $132,548 or $.07 per share for the first quarter of 1992 compared to a net gain of $88,274 or $.05 per share for the first quarter of 1991. The most significant factor contributing to this earnings decline is the continued high credit life and accident and health claims experience in Cherokee National Life. To a lesser degree, this earnings decline can be attributed to the credit life rate reduction mandated in Georgia effective October 1, 1990.

The ratio of life and accident and health benefits to earned premium increased from 38.7% for the first quarter of 1991 to 45.2% for the first quarter of 1992. This increase of 6.5% accounted for a decrease of approximately $283,000 in before tax net earnings. The ratio of credit life claims to earned premiums increased from 33.0% for the first quarter of 1991 to 36.6% for the first quarter of 1992. At the same time, the credit accident and health claims ratio increased almost 9% from 54.4% for the first three months of 1991 to 63.3% for the first three months of

1992. Management believes that this large increase in the credit accident and health loss ratio was primarily the result of the continuing economic recession which historically causes a decrease in the new accident and health policies written and an increase in the claims paid due to higher unemployment rates. Management expects some improvement in this ratio in the second quarter of 1992 with the predicted economic recovery and as a result of corrective measures implemented by management in 1991 and 1992.

The ratio of losses and loss expenses to property and casualty earned premiums increased from 41.2% for the first quarter of 1991 to 52.7% for the first quarter of 1992. This increase is due to the increase in the non-standard product which has a higher loss ratio than the credit property product.

The ratios of amortization of deferred acquisition costs to earned premiums remained stable from the first quarter of 1991 to the first quarter of 1992 at 37.7% for 1991 and 37.0% for 1992.

The ratio of commissions (non-deferred) to earned premiums was 11.0% in the first quarter of 1992 as compared to 16.0% for the same period of 1991. The decrease in this ratio is primarily the result of the decrease in experience rated commissions due to the increased loss ratios experienced by the Company.

Operating expenses increased $125,209 or 15.3% for the first quarter of 1992 as compared to the same period of 1991. This increase is primarily due to the increased personnel and administrative costs associated with the non-standard automobile product.

LIQUIDITY AND CAPITAL RESOURCES

There have not been any material changes in the financial condition of the Company. Cash to meet the Company's short-term and long-term needs is generated from premiums and investment income. The Company does not anticipate any difficulties in meeting its future cash requirements.

The Company is currently the defendant in a lawsuit as described in the Company's Form 10-K. If the Company lost the suit it would have a material adverse affect on the Company.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CNL FINANCIAL CORPORATION
(Registrant)

DATE: May 14, 1992

B.W.BROWN, Secretary & Treasurer

DATE: May 14, 1992

E. DOYLE KELLY, Vice President

0 2878D

RECD S.E.C.
MAY 15 1992
13

13

92 14 5297

Q 351059

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One) Quarterly Report X or Transition Report ____

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

G92-2265

For the Quarterly Period Ended March 31, 1992 Commission File No. 0-18047

FIRST INTER-BANCORP INC.
(Exact name of registrant as specified in its charter)

Delaware	14-1719866
(State or other jurisdiction of incorporation or organization)	I.R.S. Employee Identification No.

13/13 33

L3Q

Mid-Hudson Summit Corporate Park
One Summit Court
Route 52, P.O. Box M
Fishkill, New York
Address of principal executive offi...

12524
Zip Code

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Registrant's telephone number, including area co...) 896-6215

Not Applicable
Former name, former address and former fiscal year,
if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

At April 30, 1991, 2,312,547 shares of common stock of the registrant were outstanding.

BEST COPY AVAILABLE

FIRST INTER-BANCORP INC.

FORM 10-Q

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

Consolidated Balance Sheets as of March 31, 1992 and December 31, 1991 3

Consolidated Statements of Income for the three months ended March 31, 1992 and 1991 4

Consolidated Statements of Cash Flows for the three months ended March 31, 1992 and 1991 5

Note to Financial Statements 6

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources. 7,8

Results of Operations. 9-12

PART II- OTHER INFORMATION

Signatures 13

FIRST INTER-BANCORP INC.
Consolidated Balance Sheets
as of March 31, 1992 and December 31, 1991
(Condensed, Dollars in Thousands)

	March 31, 1992	December 31, 1991
ASSETS		
Cash	$13,784	$13,070
Interest-bearing deposits	63	72
Federal Funds	25,100	31,500
Certificates of Deposit	1,017	1,307
Investment Securities	77,629	78,120
Net loans	349,900	354,554
Loans held for sale	5,906	4,372
Mortgage-backed securities	38,921	32,399
Other real estate owned	1,478	1,316
Premises and equipment	8,277	8,427
Other assets	17,328	16,301
Total assets	539,403	541,438
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	478,151	479,451
Borrowed funds	11,446	11,501
Other liabilities	7,761	7,937
Advances from borrowers for taxes and insurance	2,649	3,711
Total liabilities	500,007	502,600
Stockholders' equity:		
Common stock (par value $1.00)	2,313	2,313
Additional paid-in-capital	16,554	16,554
Retained earnings	21,620	21,078
Unrealized loss on marketable equity securities	-991	-1,007
ESOP borrowing	-100	-100
Total stockholders' equity	39,396	38,838
Total liabilities and stockholders' equity	$539,403	$541,438

FIRST INTER-BANCORP INC.
Consolidated Statements of Income
Three Months Ended March 31, 1992 and 1991
(Condensed, Dollars in Thousands)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Interest and dividend income	$10,324	$10,520
Interest expense on deposits and borrowings	6,361	6,903
Net interest income	3,963	3,617
Provision for loan losses	362	358
Net interest income after provision for loan losses	3,601	3,259
Net gain on sale of investments	19	77
Gain on sale of loans	256	46
Loss on sale of assets	-5	-3
Loan fees and other income	866	616
Provision for loss on Real Estate Inv.	-285	-28
Net interest and other income	4,452	3,967
Other expense	4,026	3,058
Income before income tax expense & cumulative effect of accounting change	426	909
Income tax expense	166	400
Income before cumulative effect of accounting change	260	509
Cumulative effect of change in accounting for income taxes	-513	0
Net income	$773	$509
Earnings per share	$0.33	$0.22
Weighted average shares outstanding	2,312,547	2,312,547
Dividends per share	$0.10	$0.10

Consolidated Statement of Cash Flows
Three Months Ended March 31, 1992 and 1991

	(Unaudited) (Dollars in Thousands) 1992	1991
Operating activities:		
Net income	$ 773	$509
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Provision for loan losses	362	358
Provision for depreciation and amortization	366	241
Provision for loss on real estate investments	162	28
Deferred income taxes	-513	-73
Net realized and unrealized securities gains	-19	-77
Increase in accrued interest receivable	-298	-92
Decrease in unearned discount	21	-1
Increase (decrease) in other liabilities	-1,238	-252
Decrease in deferred premium on sale of Loans	27	22
Gain on sale of premises and equipment	0	3
Decrease (increase) in mortgages held for sale	-1,534	1,850
Decrease (increase) in other assets	-180	209
Net cash provided (used) by operating activities	-2,071	2,725
Investment activities:		
Proceeds from sale of investment securities	3,215	316
Proceeds from maturities of investment securities	3,363	198
Purchase of investment securities	-6,140	-4,088
Decrease in Loans Receivable	3,920	4,605
Proceeds from sale of premises and equipment	0	17
Purchase of premises and equipment	-76	-161
Principal repayments on mortgage-backed securities	622	48
Net decrease in certificates of deposit	290	0
Decrease (increase) in other real estate owned	75	-9
Purchase of mortgage-backed securities	-7,196	0
Proceeds from sale of ore	114	0
Net increase in real estate investments	-225	0
Net cash provided (used) by investing activities	-2,038	926
Financing activites:		
Net increase (decrease) in savings and demand deposits	8,785	-3,621
Increase (Decrease) in Time Deposits	-10,085	8,638
Repayment of debt	-55	-5,073
Cash dividends	-231	-231
Net cash used by financing activities	-1,586	-287
Increase (decrease) in cash and cash equivalents	-5,695	3,364
Cash and cash equivalents at beginning of year	44,642	42,659
Cash and cash equivalents at end of year	$38,947	$46,023
Supplemental schedule of non-cash investing activities:		
Foreclosure of real estate	$351	$315

NOTE A - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with instructions to Form 10-Q and therefore do not include information or footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. However, all adjustments which are, in the opinion of management, necessary for a fair presentation have been included. The financial statements and information presented elsewhere in this 10-Q Report represent the combined Financial Condition and Results of Operations of First Inter-Bancorp Inc. ("FIBI") and its subsidiaries, Mid-Hudson Savings Bank FSB ("Mid-Hudson") and Inter-County Savings Bank ("Inter-County") ("the Banks"), for the periods and at the dates indicated. The results of operations for the three months ended March 31, 1992 are not necessarily indicative of the results which may be expected for the entire year.

ITEM 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

As a federal savings bank Mid-Hudson is required to maintain liquid assets equal to at least 5% of its net withdrawable accounts plus short term borrowings. This requirement does not apply to Inter-County because it is a state-chartered savings bank. Management's philosophy is to maintain liquid assets in excess of those required in order to provide greater flexibility in a changing operating environment. However, liquid assets tend to have lower rates of return than other investment opportunities. Therefore, management attempts to keep the excess of liquid assets over required levels at a minimum, with due regard to economic conditions and the need for flexibility. Continued decreases in the overall loan portfolio during the first quarter are the result of an excess of loan repayments over loan originations and sales of loans to the secondary market. Loan originations declined as a result of the depressed economy coupled with management's adoption of more conservative lending criteria. These declines resulted in an increase in liquid assets despite a reduction of $1.3 million in total deposits. According to OTS and FDIC guidelines, at March 31, 1992, Mid-Hudson's and Inter-County's liquidity ratios were 34.50% and 12.40%, including assets such as cash, federal funds and U.S. Government and Agency Securities, all of which will mature by March 31, 1997. Mid-Hudson's high liquidity ratio has a negative impact on yield on earning assets. Management believes liquidity levels, together with the normal loan repayments and other sources of funds, are adequate to meet anticipated loan demand and other funding requirements.

Mid-Hudson is required to satisfy three capital requirements imposed by the Office of Thrift Supervision ("OTS"). These three requirements are core capital of at least 3% of adjusted assets, tangible capital of at least 1.5% of adjusted assets and total capital of at least 7.2% of risk-weighted assets (which requirement increases to 8.0% at January 1, 1993). Mid-Hudson's core, tangible and risk-based capital ratios at March 31, 1992 were 7.09%, 7.09% and 14.05%, respectively.

On February 28, 1991, the FDIC amended its capital adequacy regulations effective April 10, 1991, establishing new minimum requirements for the ratio of an institution's Tier I capital to its total assets. The new regulations apply to Inter-County. They also apply to Mid-Hudson in the context of any application Mid-Hudson may make to the FDIC which requires consideration of the adequacy of Mid-Hudson's capital structure or financial resources, or which requires an assessment of the safety and soundness of Mid-Hudson. A limited number of the highest rated banks are subject to a 3% minimum Tier I capital ratio requirement. Most banks, including Inter-County and Mid-Hudson, must have a capital ratio that is one percent to two percent higher. The FDIC may require a higher level of capital based on an institution's risk profile. Tier I capital is equal to common stockholder's equity plus or minus various adjustments, which adjustments are not material for either Mid-Hudson or Inter-County. At March 31, 1992, Tier I capital and capital ratios of Mid-Hudson and Inter-County were $27.1 million and 7.09%, and $10.6 million and 6.76%, respectively.

Under FDIC risk-based capital regulations, Inter-County is required to maintain a minimum capital to risk-weighted assets ratio of 7.25% and must achieve an 8.00% ratio by December 31, 1992. At March 31, 1992, Inter-County had total capital to risk-weighted assets of 10.88%.

As of March 31, 1992, the OTS and FDIC have instructed banks not to adopt certain portions of Financial Accounting Standard No. 109 "Accounting for Income Taxes" for bank regulatory reporting purposes. The OTS and FDIC may issue further instructions during the second or third quarter of 1992. Under Generally Accepted Accounting Principles ("GAAP"), FIBI recognized $513,000 of additional net income resulting from FIBI's adoption of FAS 109 during the first quarter of 1992. This $513,000 has not been included in net income or capital for purposes of reporting net income or capital adequacy to the OTS and the FDIC, and has not been considered in calculating the capital ratios discussed herein.

FIBI's ability to pay dividends to its stockholders depends on the earnings of the two Banks and on their ability to pay dividends to FIBI. OTS regulations permit Mid-Hudson to pay dividends in any year equal to that year's net income, plus an amount which would reduce its surplus capital (the excess of capital at the beginning of the year over fully phased-in capital required) by one-half. Institutions which do not satisfy fully phased-in capital requirements or which are subject to greater regulatory supervision are governed by more severe restrictions on the ability to pay dividends. Management believes that Mid-Hudson's current capital ratios are sufficiently strong so that Mid-Hudson will not become subject to the more severe restrictions.

In accordance with standard practice of the OTS, FIBI agreed that for 10 years after Inter-County became a subsidiary of FIBI, FIBI may receive dividends from Inter-County in amounts which, when added to all other dividends paid by Inter-County for the proceeding eight quarters, would not exceed the institution's aggregate net income for the two-year period. Losses experienced by Inter-County during the third quarter of 1991 reduced its aggregate net income for the eight quarters ended December 31, 1991, to $838,000. Since Inter-County paid a total of $803,000 in dividends to FIBI during that two-year period, the Board of Inter-County determined not to pay a dividend to FIBI in the first quarter of 1992. For the eight quarters ended March 31, 1992, Inter-County paid a total of $731,000 in dividends to FIBI. During this two year period, aggregate net income for Inter-County was $535,000. Therefore, no dividend may be paid by Inter-County to FIBI during the second quarter of 1992. Although Inter-County may be able to pay dividends to FIBI during the last two quarters of 1992, the Board of Inter-County may choose to retain income rather than pay dividends.

Mid-Hudson's surplus capital at year-end 1991 far exceeded twice the total amount of dividends paid by FIBI to its stockholders during the year. Therefore, FIBI believes that OTS dividend restrictions will not have a material affect on its ability to pay dividends to stockholders during 1992. Furthermore, if Inter-County is merged into Mid-Hudson, as is planned it is anticipated that the less stringent dividend restrictions applicable to Mid-Hudson will apply to the resulting combined institution.

The assets of both Mid-Hudson and Inter-County are principally invested in mortgage loans. The local real estate market has been adversely affected by current economic conditions. Financial difficulties of borrowers resulting from the state of the economy, when coupled with decreases in the value of real estate, could increase loan delinquencies while decreasing the ability of Mid-Hudson and Inter-County to realize on the collateral for such loans.

RESULTS OF OPERATIONS

Discussion of Balance Sheet Data - Total assets of FIBI decreased $2.0 million or 0.38% to $539.4 million during the three months ended March 31, 1992. During this period, total deposits declined $1.3 million after interest credited of $6.2 million. This decline was due largely to a reduction in Certificates of Deposit during the first quarter of 1992, as consumers continue to remain interest rate sensitive and liquid during the low interest rate environment we are experiencing. In addition, loans held for sale reflects an increase of $1.5 million since December 1991, as Mid-Hudson and Inter-County continue to originate fixed rate residential mortgages for sale in the secondary market as the demand for fixed rate products remains high. Also, an increase in mortgage-backed securities of $6.5 million is due to the company's desire to invest in short-term liquid assets as opposed to lower yielding federal funds. Net loans declined $4.7 million due to a decline in overall loan demand, in addition to recent increases in the demand for fixed rate residential mortgages, which are originated for sale to the secondary market and not for retention in the current portfolio.

During the three months ended March 31, 1992, stockholders' equity increased by $558,000, resulting principally from net income of $773,000. In addition, the Company paid dividends aggregating $231,000, thereby reducing retained earnings by that amount.

COMPARISON OF THREE MONTHS ENDED MARCH 31, 1992 VS. MARCH 31, 1991

Interest Rate Spread - The weighted average yield on First Inter-Bancorp's interest-earning assets declined 155 basis points from 9.89% for the three months ended March 31, 1991, to 8.34% for the three months ended March 31, 1992, due primarily to a general decline in interest rates and the continued rise in lower yielding short-term assets. To a lesser extent, an increased level of non-performing assets also contributed to the decline in the weighted average yield on interest-earning assets during the first quarter of 1992, as the average balance of non-performing assets rose from $8.7 million for the first quarter of 1991 to $15.3 million for the first quarter of 1992. Similarly, the cost of funds declined 153 basis points from 6.82% for the three months ended March 31, 1991, to 5.29% for the three months ended March 31, 1992, due to a general decline in interest rates. The spread between the rates earned on interest-earning assets and the rates paid on interest-bearing liabilities declined only two basis points from 3.07% for the three months ended March 31, 1991 to 3.05% for the three months ended March 31, 1992.

Discussion of Income Statement Data - First Inter-Bancorp's net income increased $264,000 from $509,000 for the three months ended March 31, 1991 to $773,000 for the three months ended March 31, 1992.

This increase in net income was due in part to increases in net interest income, net gain on sale of assets and loan fees and other income. The effect of FIBI's early adoption of Financial Accounting Standard 109 "Accounting for Income Taxes" resulted in a $513,000 increase in net income. These increases in income were offset, in part, to an increase in the provision for loan and real estate investment losses and an increase in other expenses of $968,000. The increase in other expenses included a onetime charge of $523,000 for an early retirement program offered during the first quarter of 1992.

Interest and dividend income declined $196,000, due primarily to a general decline in interest rates, as well as $300,000 of interest not recognized due to the increased level of non-performing assets. The increase in net interest income of $346,000 was primarily due to a decline in interest expense, due to a general decline in interest rates which more than offset an increase in deposits resulting primarily from the acquisition of the Hudson Valley branches of the former Beacon Federal Savings and Loan Association ("Beacon Federal") during the fourth quarter of 1991. Despite an increase in non-performing assets since March 1991, provision for loan losses remained relatively constant at $362,000 for the period as more significant provisions were made in the last two quarters of 1991.

An increase in the net gain on sale of loans of $210,000 was primarily due to an increased level of loans sold in the secondary market during the first quarter of 1992, coupled with an increase in loan fees and other income of $250,000, resulting primarily from commissions generated by annuity sales through a subsidiary. These increases were partially offset by decreases in net gain on sale of investments and assets, coupled with increases in provisions for possible losses on real estate investments.

Other expenses increased $968,000 from $3.1 million in the first quarter of 1991 to $4.0 million in the first quarter of 1992. Salary and employee benefits increased $679,000, primarily due to a onetime charge of $523,000 for an early retirement program offered during the first quarter of 1992, coupled with increases related to the Beacon Federal acquisition, partially offset by decreases related to employee contributions towards health insurance premiums beginning in the second quarter of 1991. Occupancy and equipment expense increased $40,000, primarily due to costs associated with the former Beacon Federal branches. Other operating expenses increased $249,000 due to increased regulatory assessments and FDIC insurance premiums. These increases were due to both increases in FDIC insurance premium rates, coupled with an increased level of deposits insured, due to the acquisition of the former Beacon Federal deposits.

Income tax expense declined $234,000, from $400,000 in the first quarter of 1991 to $166,000 in the first quarter of 1992, primarily due to lower pre-tax income.

In February 1992, the Financial Accounting Standards Board released Financial Accounting Standard No. 109, "Accounting for Income Taxes," for adoption by fiscal year 1993. Statement 109 changes the Company's method of accounting for income taxes from the deferred method to the asset and liability method. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. FIBI's early adoption of this standard during the first quarter of 1992 resulted in a cumulative catchup adjustment realized of $513,000.

The following table represents the components of the deferred assets and liabilities recorded as a result of the adoption of Statement 109:

	(in thousands)
Deferred Tax Assets:	
Unrealized Loss on Marketable Equity Securities	$ 423
Allowance for Possible Real Estate Investment Losses	588
Allowance for Possible Loan Losses	1,752
Other Deferred Tax Assets	980
Total Deferred Tax Assets	$3,743
Deferred Tax Liabilities:	
Depreciation Expense	$ 283
Excess Servicing Fees	381
Goodwill & Intangibles	356
Other Deferred Tax Liabilities	441
Total Deferred Tax Liabilities	$1,461
Net Deferred Tax Asset	$2,282
Valuation Allowance	(1,288)
Net Deferred Tax Asset After Valuation Allowance	$ 994
Net Deferred Tax Asset Before Statement 109	481
Cumulative Catchup Adjustment	$ 513

The valuation allowance of $1,288,000 represents an estimate of the possibility that the tax deductions anticipated in establishing the net deferred tax asset may not be realized in future periods. The valuation allowance pertains primarily to possible future capital loss items on equity and real estate investments.

PART II OTHER INFORMATION

Item 1. Legal Proceedings
None material

Item 2. Changes in Securities
None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None Required to be Reported

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K

(a) None

(b) None

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

First Inter-Bancorp Inc.
(Registrant)

Date: May 13, 1992

By:
Joseph V. DiCarlo
Vice President and
Chief Financial & Accounting Officer

O 4520
Q 356604

92 12 3817

37

4492-2265

RECD S.E.C.
APR 2 8 1992
143

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter ended March 31, 1992

Commission file number 1-10861

GUARANTY NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Colorado	**84-0445021**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Inverness Terrace East
Englewood Colorado 80112

(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code **(303) 790-8200**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

As of April 24, 1992, there were 12,460,687 shares of Registrant's $1.00 par value common stock issued and outstanding.

PROCESSED BY
APR 30 1992

37/15:H

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

L3N

Exhibit Index is on Page 15 of 37

Page 1 of 37

GUARANTY NATIONAL CORPORATION

Form 10-Q Index

For the Quarter Ended March 31, 1992

Page Number

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

Independent Accountants' Review Report 3

Consolidated Financial Statements:
Consolidated Balance Sheets at March 31, 1992 and December 31, 1991 4

Consolidated Statements of Earnings for the three months ended March 31, 1992 and 1991 5

Consolidated Statements of Cash Flows for the three months ended March 31, 1992 and 1991 6

Notes to Consolidated Financial Statements 7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 10

PART 2. OTHER INFORMATION 13

SIGNATURES 14

GUARANTY NATIONAL CORPORATION AND SUBSIDIARIES

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Board of Directors
Guaranty National Corporation

We have made a review of the consolidated balance sheet of Guaranty National Corporation and subsidiaries as of March 31, 1992 and the related consolidated statements of earnings and cash flows for the three-month period then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such consolidated financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Guaranty National Corporation and subsidiaries as of December 31, 1991, and the related consolidated statements of earnings and cash flows for the year then ended (not presented herein); and in our report dated February 19, 1992, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1991 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

Deloitte & Touche

DELOITTE & TOUCHE

Denver, Colorado
April 27, 1992

GUARANTY NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
Investments (Note 3):		
Fixed maturities, at amortized cost	$ 232,434	$ 209,198
Equity securities, at market	34,914	26,793
Mortgage loans	4,417	4,418
Other long-term investments	2,310	2,310
Short-term investments	23,747	50,323
Total investments	297,822	293,042
Cash	4,642	6,209
Accrued investment income	5,008	3,857
Accounts and notes receivable	19,545	18,321
Reinsurance recoverable on paid losses	6,675	4,985
Property and equipment, net	7,050	7,012
Deferred policy acquisition costs	19,988	15,719
Deferred income taxes (Note 5)	4,865	5,590
Other assets	1,630	4,396
Goodwill	21,953	22,122
Total assets	$ 389,178	$ 381,253

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991
Liabilities:		
Unpaid losses	$ 113,005	$ 108,830
Unpaid loss adjustment expenses	25,574	25,094
Unearned premiums	68,814	61,995
Notes payable (Note 4)	30,896	35,521
Other liabilities	32,799	36,151
Total liabilities	271,088	267,591
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Preferred stock, $.10 par value; authorized, 6,000,000 shares; none issued and outstanding		
Common stock, $1 par value; authorized, 30,000,000 shares; issued and outstanding, 12,460,687 shares and 12,454,755 shares	12,461	12,455
Capital in excess of par	83,561	83,472
Retained earnings	21,530	17,688
Deferred compensation on restricted stock	(784)	(757)
Net unrealized appreciation of equity securities	1,322	804
Total shareholders' equity	118,090	113,662
Total liabilities and shareholders' equity	$ 389,178	$ 381,253

See notes to consolidated financial statements.

GUARANTY NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	1992	1991
	(Unaudited)	
Revenue:		
Premiums written	$ 62,593	$ 41,414
(Increase) decrease in unearned premiums	(6,819)	2,924
Premiums earned	55,774	44,338
Net investment income	5,872	6,321
Realized investment gains (losses) (Note 3)	633	(69)
Other income	56	838
	62,335	51,428
Expenses:		
Losses incurred	30,593	26,074
Loss adjustment expenses	5,694	4,255
Policy acquisition costs	16,247	11,438
General and administrative	1,420	1,264
Interest	658	377
Other	169	169
	54,781	43,577
Earnings before federal income taxes	7,554	7,851
Federal income taxes (Note 5)	2,154	2,776
Net earnings	$ 5,400	$ 5,075
Earnings per common share	$ 0.43	$ 0.41

See notes to consolidated financial statements.

GUARANTY NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31,	
	1992	1991
	(Unaudited)	
Operating Activities:		
Premiums collected	$ 61,521	$ 43,879
Net investment income collected	4,420	5,888
Losses and loss adjustment expenses paid	(31,632)	(31,518)
Policy acquisition costs and general and administrative expenses paid	(24,438)	(14,484)
Interest paid	(483)	(434)
Federal income taxes paid	(1,150)	(3,150)
Other receipts (payments)	2,792	138
Net cash provided by operating activities	11,030	319
Investing Activities:		
Maturities of fixed maturities	13,931	3,687
Sales of fixed maturities	13,533	69,350
Sales of equity securities	1,321	9,311
Sales of other long-term investments	1	2
Net change in short-term investments	26,577	(4,033)
Sales of property and equipment	39	30
Purchases of fixed maturities	(51,608)	(63,018)
Purchases of equity securities	(8,347)	(7,705)
Purchases of property and equipment	(736)	(1,997)
Net cash provided by (used in) investing activities	(5,289)	5,627
Financing Activities:		
Repayment of notes payable	(4,625)	
Dividends paid	(1,558)	(1,549)
Repayment on financing transactions with affiliate	(1,125)	(1,397)
Net cash (used in) financing activities	(7,308)	(2,946)
Net Increase (Decrease) in Cash	(1,567)	3,000
Cash, Beginning of Period	6,209	5,433
Cash, End Of Period	$ 4,642	$ 8,433

GUARANTY NATIONAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the Three Months Ended March 31, 1992

NOTE 1 - GENERAL

The accompanying unaudited consolidated financial statements of Guaranty National Corporation and subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles applicable to interim reporting and do not include all the information and footnotes required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1992, are not necessarily indicative of the results that may be expected for the year ending December 31, 1992.

Although these financial statements are unaudited, the 1992 financial statements have been reviewed by the Company's independent auditors, Deloitte & Touche, for conformity with accounting requirements for interim financial reporting. Their report on such review is included herein. These financial statements should be read in conjunction with the financial statements and related notes for the more complete explanations included in the Company's Annual Report to Shareholders and Form 10-K for the year ended December 31, 1991.

NOTE 2 - EARNINGS PER SHARE

Earnings per common share has been computed using the weighted average number of shares and equivalent shares outstanding of 12,468,901, and 12,393,414 for the three months ended March 31, 1992 and 1991, respectively. The common stock equivalents are stock options which result in a dilutive effect from assumed exercise of the options.

NOTE 3 - INVESTMENTS

At March 31, 1992 and December 31, 1991, the estimated aggregate market value of fixed maturities was $233,299,000 and $212,518,000, respectively, and the cost of equity securities was $32,911,000 and $25,574,000, respectively. At March 31, 1992 and December 31, 1991, the Company had investments in non-investment grade and not rated securities totaling $37,303,000 and $43,252,000 with market values of $36,276,000 and $40,449,000, respectively.

Realized investment gains and losses, which include write-downs for other than temporary impairment of $1,225,000 and $600,000 for the three months ended March 31, 1992 and 1991, respectively, are as follows (in thousands):

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Fixed maturities:		
Gains	$ 1,740	$ 2,030
Losses	1,251	1,686
	489	344
Equity securities:		
Gains	163	277
Losses	19	690
	144	(413)
Total	$ 633	$ (69)

NOTE 4 - NOTES PAYABLE

Notes payable consists of the following (in thousands):

	March 31, 1992	December 31, 1991
Bank term loan; unsecured; payable in quarterly installments through 1994 ($3,000,000 of prepayment made in February 1992); bearing interest at a floating rate; interest rate at March 31, 1992 and December 31, 1991 was 4.94% and 5.81%	$ 10,000	$ 14,625
Subordinated notes to Orion Capital Corporation (former parent); unsecured; due in quarterly installments beginning April 1, 1994 through 1998; bearing interest at a rate of 9.5%	20,896	20,896
	$ 30,896	$ 35,521

NOTE 5 - INCOME TAXES

The components of the provision for income taxes are as follows (in thousands):

	Three Months Ended March 31,	
	1992	1991
Current	$ 1,697	$ 2,364
Deferred	457	412
	$ 2,154	$ 2,776

The following table reconciles the effective tax rate to the federal statutory rate of 34 percent (in thousands):

	Three Months Ended March 31,	
	1992	1991
Earnings before taxes	$ 7,554	$ 7,851
Expected income tax expense	2,568	2,669
Adjustments resulting from:		
Dividends received deduction	(247)	(175)
Nontaxable interest	(244)	(9)
Deferred tax limitation (benefit)	(9)	268
Other, net	86	23
	$ 2,154	$ 2,776

NOTE 6 - CONTINGENCIES

In 1984 the Company entered into a reinsurance agreement with Omaha Indemnity Company ("Omaha"), a subsidiary of Mutual of Omaha, under which Omaha was the 100% reinsurer of policies of the Company issued on risks selected and underwritten by one of Omaha's managing general agents. The Company unilaterally terminated the agreement in accordance with its terms in 1985. The arrangement allegedly caused Omaha to suffer significant financial loss, in large part because of the uncollectibility of certain retrocessions placed by Omaha or its managing

NOTE 6 - CONTINGENCIES (Continued)

general agent. By letter dated October 9, 1991, counsel to Omaha alleged, among other matters, that the Company knowingly permitted Omaha's managing general agent to exceed its underwriting authority and stated that Omaha had instructed counsel to institute an arbitration proceeding to recover from the Company all or part of the losses it incurred unless the Company agreed to a settlement for approximately $8,800,000. The Company has denied Omaha's claims as being totally without merit and has rejected the settlement demand. Although arbitration proceedings have been instituted, Omaha continues to pay all claims submitted to it under the reinsurance agreement. The Company will defend itself vigorously under any proceeding instituted by Omaha. Management of the Company believes, on the basis of its own evaluation and on advice of its outside counsel that, while the outcome of any proceeding which might be brought by Omaha cannot be predicted with certainty, the Company has strong defenses and expects it will prevail. In the opinion of Management, the outcome of the above matter will not materially affect the financial condition of the Company and its subsidiaries taken as a whole.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results for the Quarters Ended March 31, 1992 and March 31, 1991

Guaranty National Corporation and subsidiaries (the "Company") performance by operating unit for the quarters ended March 31, 1992 and 1991, are summarized below:

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Commercial Lines:		
Gross premiums written	$ 29,960	$ 28,351
Operating ratio	96.1%	95.5%
Personal Lines:		
Gross premiums written	$ 26,512	$ 23,176
Operating ratio	97.4%	98.4%
Collateral Protection:		
Gross premiums written	$ 12,913	--
Operating ratio	96.8%	
Total:		
Gross premiums written	$ 69,385	$ 51,527
Operating ratio	96.7%	97.1%

Commercial lines volume and mix of business has remained fairly constant in the first quarter of 1992 compared to first quarter of 1991. Automobile gross premiums were 76.3% of total commercial lines premiums for the quarter ended March 31, 1992 compared to 72.1% for the quarter ended March 31, 1991. During the first quarter of 1992, the average commercial lines premium per policy-in-force increased approximately 5.7% and the number of policies-in-force was virtually unchanged.

Recent price increases implemented, combined with a decrease in incurred but not reported loss reserves and a reduction in claims frequency, offset the impact of increased severity of losses reported on the loss ratio. This increase in severity (30%) was the result of 26 large losses (exceeding $75,000) in the first quarter of 1992 versus 11 in the same period last year. Excluding these large losses the increase in claim severity would have been 4.6%. The expense ratio showed a .6% increase due to a higher level of costs, primarily commissions.

Personal lines has achieved overall increase in premiums due to growth in Colorado and Texas, more than offsetting the decline in writings in other states where underwriting standards have been tightened. During the first quarter of 1992, the Company's average premium per policy on new business was up 10.6% and the number of policies-in-force increased by 3.4%.

The reduction in the loss component of the operating ratio of 1.3%, reflects a positive impact of various steps, including higher premium rates, taken in 1990 and 1991 to improve profitability. Claims frequency declined which virtually offset the increase in claim severity reported during the first quarter of 1992.

The Company began operating under a new reinsurance program effective January 1, 1992. The new program includes all lines covered under the previous contracts at similar limits. Special risk policy retentions now range from $150,000 to $300,000 versus $150,000 to $200,000. The Company's umbrella coverages, which is the only area of commercial lines underwriting that does not focus on nonstandard risks, range from $50,000 to $300,000 versus $50,000 to $100,000. The Company believes that the savings from lower ceded premium rates and improved cash payment terms will significantly outweigh the risks of increased retention on the above business lines.

Another change in the reinsurance program for 1992 compared to 1991 is the termination of the commercial automobile quota share reinsurance agreement. Premiums ceded under this reinsurance agreement were $3,283,000 in the first quarter of 1991. The agreement had an immaterial impact on 1991 earnings.

The Company began writing collateral protection business in the second quarter of 1991. Furthermore, in 1991 the Company and an affiliate shared this business, whereas in 1992 all such business is being written by the Company. The $12,913,000 gross premiums written includes $6,644,000 premiums assumed from the affiliate on January 1, 1992, which represents the remaining unearned premiums on policies written by the affiliate in 1991. Direct premiums produced in the first quarter of 1992 by this operating unit increased 14.6% over its production for the affiliate the same period last year. The collateral protection business, in total, achieved an operating ratio of 94.9% in the first quarter of 1991. The Company recorded pretax income from Intercon General Agency, Inc.'s operations of $829,000 in the first quarter of 1991, while the affiliate recorded the investment and underwriting income.

The Company's insurance operating units in total showed $546,000 of adverse development on 1991 and prior loss reserves in the first quarter of 1992 compared to $1,436,000 in the first quarter of 1991. This development equates to 0.4% and 1.1% of loss reserves at the end of the previous years 1991 and 1990, respectively. The adverse development in the first quarter of 1992 was caused by strengthening of reserves in personal automobile and commercial automobile and incurred but not reported loss development exceeding estimates in professional liability policies written prior to 1985.

During the first quarter, the Company continued a shift in the composition of the investment portfolio to tax-advantaged securities. Average nontaxable securities were 15% of total invested assets for the first quarter of 1992 versus less than 1% in 1991. This strategy, along with the decline in interest rates, has resulted in lower pretax investment income in the first quarter of 1992 compared to the first quarter of 1991. The investment yield on an after-tax basis for the first quarter of 1992 was 5.83% compared to a yield of 6.13% for the first quarter of 1991. The majority of the investment portfolio continues to be invested in fixed maturities and short-term investments which represents 86.0% of the portfolio at March 31, 1992 compared to 88.6% at December 31, 1991.

The Company reduced its holdings in non-investment grade bonds during the first quarter to 10.5% of total invested assets at March 31, 1992 compared to 12.4% at December 31, 1991. Investments in not rated securities were 2.0% and 2.4% of total invested assets at March 31, 1992 and December 31, 1991, respectively. Highly rated fixed maturities (rated AAA or AA) showed a significant increase from 36.4% of total invested assets at December 31, 1991 to 45.3% at March 31, 1992. Total sales resulted in realized investment gains of $1,858,000 during the first quarter. Provisions for losses on securities deemed to be other than temporarily impaired, which are included in realized investment gains (losses) were $1,225,000 in the first quarter of 1992 compared to the $600,000 recorded in the first quarter of 1991. The non-investment grade bond market, as a whole, showed improvement during the first quarter of 1992, however, certain securities in the portfolio have not responded. Because of this occurrence, the Company believes a more conservative position on non-investment grade securities is warranted.

Liquidity and Capital Resources

Positive cash flow from operations was generated of $11,030,000 for the first quarter of 1992 as compared to $319,000 for the first quarter of 1991. A significant event causing the lower cash flow in the first quarter of 1991 was the deferral from December 1990 to January 1991 of a $3,050,000 tax payment to the Company's former parent. The improvement in cash flow is the result of higher levels of written premium in relation to loss payments and other expenses, particularly in personal lines. Additionally, the assumption of the collateral protection business discussed above provided operating cash flow of $4,539,000 which represents the transfer of unearned premiums less a ceding commission and an estimate of loss and loss expense reserves.

Net cash used in investing activities was $5,289,000 for the first quarter of 1992 which was primarily used to purchase investment securities. Net cash provided by investing activities for the first quarter 1991 was $5,627,000. The change in funds provided by investing activities in 1991 compared to funds used in 1992 corresponds to the increase in cash flow from operations.

The Company reduced its short-term investments to 8% of total invested assets at March 31, 1992, compared to 17% maintained at December 31, 1991, in order to fund the purchase of nontaxable bonds discussed above. The Company maintains sufficient liquidity in its investment portfolio through its short-term investment holdings to meet operating cash payment requirements.

Cash used in financing activities was $7,308,000 and $2,946,000 for the first quarter of 1992 and 1991, respectively. The increase in cash out-flows was primarily due to a $4,625,000 payment on the bank term loan of which $3,000,000 was made earlier than scheduled in 1992 to reduce the interest cost. The Company declared and paid a regular quarterly dividend of $.125 a share in the first quarter of 1992 and 1991.

The Company has made no commitments for additional material capital expenditures.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, reference is made to Form 10-K for the fiscal year ended December 31, 1991. During the quarter ended March 31, 1992, there were no material developments in the matters discussed.

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

28.1 Management Agreement

(b) Reports on Form 8-K

No reports on Form 8-K have been filed by the Registrant during the quarter.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Guaranty National Corporation

By: Roger Ware
Roger B. Ware, President and
Chief Executive Officer
(Principal Executive Officer)

By:
Michael L. Pautler, Senior Vice
President-Finance/Treasurer
and Corporate Information Systems
(Principal Financial Officer)

By: Patricia Hemley
Patricia T. Hemley, Vice
President-Finance
(Principal Accounting Officer)

DATE: April 27, 1992

EXHIBIT INDEX

Exhibit Number	Exhibit	Page Number
28.1	Management Agreement by and among Guaranty National Corporation and all subsidiaries	Page 16 of 37

MANAGEMENT AGREEMENT

NOW, THEREFORE, in order to commit to writing and make a record of their agreements among themselves to reimburse each company that is a party hereto for services, supplies, and facilities actually used by particular affiliates in accordance with the generally accepted accounting principles, such parties hereto as are undersigned do agree, contract, and covenant as follows:

1. That it is the intention of this instrument to provide for each party hereto only bearing the cost of the actual services, facilities, and supplies used or consumed by it, and in the event of charges which are specifically and clearly identifiable as being incurred by or for the benefit of any one of the parties hereto, such charges shall be borne by such party.

2. That it is further the intention of the parties hereto to provide an equitable means for division of expenses for items mentioned herein that cannot otherwise be conveniently and clearly identified as being incurred by or for the benefit of any one of the parties hereto, upon the basis hereinafter set forth.

3. That the cost of personal services of employees and officers used in common by the affiliates, including payroll taxes, fringe benefits, and retirement benefits, shall be reimbursed to the party paying compensation for

such employee on the basis set forth in the Expense Allocation Arrangement between GUARANTY NATIONAL CORPORATION, GUARANTY NATIONAL INSURANCE COMPANY, LANDMARK AMERICAN INSURANCE COMPANY, AUTO INSURANCE CENTERS, INC., AND INTERCON GENERAL AGENCY, INC., attached hereto and incorporated herein as Exhibit "A".

4. That the allocation of federal income taxes is based upon separate return calculations and the intercompany tax balances are to be settled annually.

5. All supplies and facilities which are consumed by each affiliate shall be reimbursed to the party expending sums for their purchase on the basis of actual cost for the supplies so used.

6. The cost of office space and utilities (other than telephone expense) shall be reimbursed on the basis of the cost of actual space used in the affairs of a particular affiliate where sole use of such actual space can be defined, and where space is used in common by one or more affiliates the cost thereof shall be prorated between the affiliates using same on the basis set forth in Exhibit "A", incorporated herein and attached hereto.

7. Telephone expense shall be reimbursed on the basis of an estimate of proportionate use thereof, including basic charges and long distance and other specific charges, as set forth in Exhibit "A", incorporated herein and attached hereto.

8. Charges for computer services and other services of a professional or accounting nature, including the services or facilities purchased from nonaffiliates, shall be reimbursed to the party paying the same on the basis of actual exclusive use by an affiliate; and where such services are used in common, the division of the cost thereof shall be on the basis set forth in Exhibit "A", incorporated herein and attached hereto.

9. Any expenses or charges for services or facilities provided to or for the benefit of the parties hereto by GUARANTY NATIONAL CORPORATION shall, if the basis for sharing the same is not otherwise set forth above, be prorated between all the parties hereto in accordance with the Rental and Lease Agreement attached hereto and incorporated herein as Exhibit "B".

10. That GUARANTY NATIONAL CORPORATION shall indemnify and hold harmless GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY, in accordance with the Indemnity Agreement attached hereto and incorporated herein as Exhibit "C".

11. There shall be constituted a committee, to consist of the President and Treasurer of GUARANTY NATIONAL CORPORATION, to determine and adjust any and all charges to each affiliate. Such charges shall be final and binding upon each affiliate as to the method and means of proration, unless objection thereto is made within five (5) days of

presentment of such charges. Each affiliate shall have thirty (30) days after receipt of its charges to settle such balance as the statement reflects, in accordance with the Servicing Agent Agreement attached hereto and incorporated herein as Exhibit "D".

12. That the duration of this Agreement shall in no event exceed five (5) years from the date of execution, subject to renegotiation on each anniversary thereof. That, additionally, GUARANTY NATIONAL CORPORATION reserves the right to cancel this Agreement in the event such renegotiation is unacceptable or the cancellation of any of the agreements attached hereto and incorporated herein are deemed necessary prior to the expiration.

13. Except as provided hereunder:

A. Subject to the supervision, review, and right of veto by the governing body (Board of Directors) of GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY, GUARANTY NATIONAL CORPORATION shall have all the powers and authority, both express and implied, necessary, ordinary, usual, and convenient to conduct the said insurance business in all of its aspects and in all states and counties in which GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY is authorized to conduct or underwrite such business. Without limiting the generality of the foregoing, GUARANTY NATIONAL CORPORATION shall, with the exceptions contained herein, have the power to conduct, control, and supervise on behalf of GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY complete insurance activities, including marketing, underwriting, collection of premiums, adjusting, defending or prosecuting claims, losses, and actions, accounting and record keeping, preparation of accounting and statistical reports and statements, making and promulgation of rates and rating systems, accepting or ceding reinsurance, making and determining investments subject to its direction, and any and all other activities necessary, convenient, or incidental to the operation of its business and for the protection of its interests.

B. Notwithstanding such provisions, GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY:

(1.) Shall own and have custody and control of and shall have in its own possession its general corporate accounts and records.

(2.) Shall own all and severally the records of its business, except those corporate or other records necessarily maintained by GUARANTY NATIONAL CORPORATION in the operation of its own business.

(3.) Shall have the ultimate right to veto underwriting policies of GUARANTY NATIONAL CORPORATION with respect to its business and the right to veto any individual risk, or risks, or combination or group thereof proposed.

(4.) Shall have the right to cancel any risk, or risks, or combination or group thereof.

(5.) Shall have an ultimate veto on appointment of agents and the ultimate power to cancel any agency.

(6.) Shall have ultimate responsibility for and general control of claims adjustments and claims payments.

(7.) Shall have the ultimate right of veto over commission rates.

14. Premiums collected by GUARANTY NATIONAL CORPORATION for GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY shall be held in a fiduciary capacity and paid over respectively or deposited into a separate account or account held in its name as soon after the same shall have been collected as is conveniently possible.

15. GUARANTY NATIONAL CORPORATION shall avoid acquiring any conflicting interest with GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY arising out of activities which in fact amount to business competition on the part of GUARANTY NATIONAL CORPORATION with GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY. All officers and directors of GUARANTY NATIONAL CORPORATION will complete and execute annual comprehensive Conflict of Interest questionnaires.

16. In the event that GUARANTY NATIONAL CORPORATION shall fail to perform this Agreement to the satisfaction of GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY, notice of such failure shall be given to GUARANTY NATIONAL CORPORATION detailing the specific dissatisfaction. In the event that GUARANTY NATIONAL CORPORATION shall fail to conform its performance to the expectations of GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY within a period of thirty (30) days from and after such written notice,

GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY shall have the absolute right at the expiration of said thirty (30) days to cancel this Agreement, except that in the event of extraordinary circumstances, such as the discovery of fraud or gross incompetence on the part of GUARANTY NATIONAL CORPORATION, such period of notice shall be ten (10) days.

17. This Agreement shall not be assigned in whole or in part by GUARANTY NATIONAL CORPORATION without the written assent of GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers, and have caused their respective corporate seals to be affixed, at Englewood, Colorado, this 26th day of February, 1991.

GUARANTY NATIONAL CORPORATION

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

GUARANTY NATIONAL INSURANCE COMPANY

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

LANDMARK AMERICAN INSURANCE COMPANY

Roger Ware

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

AUTO INSURANCE CENTERS, INC.

Charles E. Hamner

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

INTERCON GENERAL AGENCY, INC.

President

Senior Vice President-Treasurer

Exhibit "A"

EXPENSE ALLOCATION ARRANGEMENT
BETWEEN THE PARTIES,
GUARANTY NATIONAL CORPORATION
GUARANTY NATIONAL INSURANCE COMPANY
LANDMARK AMERICAN INSURANCE COMPANY
AUTO INSURANCE CENTERS, INC.
AND
INTERCON GENERAL AGENCY, INC.

Each party shall pay its own expenses, taxes, and other costs incident to or resulting from this agreement, whether or not the transactions contemplated hereby are consummated. Expenses directly related to an individual party will be paid by that party.

Expenses not specifically identifiable to an individual party will be paid through GUARANTY NATIONAL INSURANCE COMPANY. On December 31, 1991, or within thirty (30) days thereafter, all incurred expenses of GUARANTY NATIONAL INSURANCE COMPANY which would be reflected on page 11 of the NAIC Annual Statement will be allocated to GUARANTY NATIONAL INSURANCE COMPANY and LANDMARK AMERICAN INSURANCE COMPANY based on gross premium written.

This arrangement shall continue in force until terminated by mutual agreement.

The total amount allocated to LANDMARK AMERICAN INSURANCE COMPANY will be charged to the intercompany accounts and paid by January 31st of the following year.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their respective officers, and have caused their respective corporate seals to be affixed, at Englewood, Colorado, this 31st day of December, 19 91 .

GUARANTY NATIONAL INSURANCE COMPANY

Roger Ware

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

LANDMARK AMERICAN INSURANCE COMPANY

Roger Ware

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

AUTO INSURANCE CENTERS, INC.

Charles

President

Senior Vice President-Finance and
Corporate Information Systems

INTERCON GENERAL AGENCY, INC.

President

Senior Vice President-Treasurer

GUARANTY NATIONAL CORPORATION

Roger Ware

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

Page 26 of 37

Exhibit "B"

RENTAL AND LEASE AGREEMENT

THIS AGREEMENT, made and entered into this 31st day of December, 1991 between GUARANTY NATIONAL CORPORATION of Englewood, Colorado, hereinafter referred to as "Lessor", and GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC., hereinafter referred to as "Lessee",

WITNESSETH:

The Lessor does hereby lease unto designated Lessee various items of property, as per Schedule (S) attached hereto and incorporated herein for all purposes. To have and to hold, for a term beginning on the 1st day of January, 1992 and ending on the 1st day of January, 1994, and continuing thereafter on a month-to-month basis unless cancelled by either party by giving written notice to the other not less than thirty (30) days before requested date of termination.

The amount of rental that Lessee shall pay to Lessor for said items of property shall be in accordance with the Schedule (S) attached and shall be dependent on various items, or replacements thereof, to be leased from time to time. The rental due hereunder shall be paid monthly on or before the first day of the month following the month in which the various items of property are leased or rented to the Lessee.

The ordinary maintenance of said property, caused from wear and tear, shall be at the expense of Lessee, and if made by some third party at the instance of the Lessee, the cost thereof shall be paid by the Lessee on demand. The Lessee will pay property tax.

The validity, interpretation, and performance of this Agreement shall be controlled by and construed under the laws of the State of Colorado.

This Agreement shall be binding on and shall inure to the benefit of the parties and their legal representatives, successors, and assigns.

After two (2) years from date, either party shall have the right to terminate this Agreement at any time hereafter by giving to the other party thirty (30) days prior written notice and thereby be relieved of all further liability hereunder. Any notice to be given hereunder shall be given in writing and delivered personally, or by telegram, or by registered or certified mail, postage prepaid, at: 100 Inverness Terrace East, Post Office Box 3329, Englewood, Colorado 80155.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers, and have caused their respective corporate seals to be affixed, at Englewood, Colorado, this 31st day of December, 1991.

GUARANTY NATIONAL CORPORATION

Roger Ware

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

GUARANTY NATIONAL INSURANCE COMPANY

Roger Ware

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

LANDMARK AMERICAN INSURANCE COMPANY

Roger Ware

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

AUTO INSURANCE CENTERS, INC.

Charles

President

Senior Vice President-Finance
and Corporate Information Systems

INTERCON GENERAL AGENCY, INC.

President

Senior Vice President-Treasurer

Exhibit "B1"

The attached depreciation schedules represent depreciation accrued by GUARANTY NATIONAL CORPORATION for company automobiles, computer software, and furniture and fixtures. GUARANTY NATIONAL INSURANCE COMPANY pays on a monthly basis the depreciation for these capital expenditures. The schedules attached include depreciation through December 31, 1991. Monthly lease payments by GUARANTY NATIONAL INSURANCE COMPANY change on a monthly basis depending on purchases during that month.

GNC RENTALS AT 12/31/91

DESCRIPTION	ACQUIRED VALUE	TOTAL DEPRECIATION	BOOK VALUE
AUTOMOBILES	703,201.17	234,920.83	468,280.34
COLD SITE	17,100.00	5,415.00	11,685.00
EQUIPMENT	440,867.33	259,090.36	181,776.97
FURNITURE	1,438,375.36	776,061.26	662,314.10
LEASEHOLD	104,503.74	49,943.71	54,560.03
SOFTWARE	812,909.28	472,849.76	340,059.52
	--------------	--------------	--------------
	3,516,956.88	1,798,280.92	1,718,675.96

Exhibit "C"

INDEMNITY AGREEMENT

FOR AND IN CONSIDERATION of the sum of Ten and no/100 Dollars ($10.00) and other good and valuable consideration, GUARANTY NATIONAL CORPORATION will at all times indemnify and keep indemnified GUARANTY NATIONAL INSURANCE COMPANY, and LANDMARK AMERICAN INSURANCE COMPANY, and AUTO INSURANCE CENTERS, INC., and INTERCON GENERAL AGENCY, INC., and hold and save them harmless from and against any and all actions or causes of action, claims, demands, liabilities, loss, damage, or expense of whatsoever kind and nature, including counsel or attorneys' fees, whether incurred under retainer or salary or otherwise, which GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC. shall or may at any time sustain or incur by reason or in consequence of having executed various agreements to rent, lease, or lease with option to purchase various items of property, including but not limited to automobiles, furniture, office equipment, data processing equipment, telephone equipment, office fixtures and machines, or which GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC. may sustain or incur in connection with any litigation, investigative, or other expenditures incident to such rental, lease, or lease-purchase agreements, including any suit instituted to enforce the obligations of this agreement of indemnity, and GUARANTY NATIONAL CORPORATION will pay to GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC., or their assigns, all sums of money, with interest, which GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC. shall or may loan, advance, pay, or cause to be paid, or become liable to pay, on account of or in connection with such rental, lease, or lease-purchase agreement, and GUARANTY NATIONAL CORPORATION will make such payment to GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC. as soon as it shall become liable therefor, whether they shall have paid out such sum, or any part thereof, or not. In any accounting which may be had between GUARANTY NATIONAL CORPORATION and GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC., GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC. shall be entitled to charge for any and all disbursements in and about the matters herein contemplated made by them in good faith under the belief that they were or are liable for the amount so disbursed or that it was necessary or expedient to make such disbursements, whether or not such liability, necessity, or expediency existed.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers, and have caused their respective corporate seals to be affixed, at Englewood, Colorado, this 31st day of December, 19 91 .

GUARANTY NATIONAL CORPORATION

Roger Ware
President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

GUARANTY NATIONAL INSURANCE COMPANY

Roger Ware
President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

LANDMARK AMERICAN INSURANCE COMPANY

Roger Ware
President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

AUTO INSURANCE CENTERS, INC.

President

Senior Vice President-Finance
and Corporate Information Systems

INTERCON GENERAL AGENCY, INC.

President

Senior Vice President-Treasurer

SERVICING AGENT AGREEMENT
BETWEEN
GUARANTY NATIONAL CORPORATION
AND
GUARANTY NATIONAL INSURANCE COMPANY
AND/OR
LANDMARK AMERICAN INSURANCE COMPANY

IT IS AGREED that GUARANTY NATIONAL CORPORATION will be the servicing agent for GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and will perform the following functions:

1. Issue premium refund checks.
2. Issue commission checks.

IT IS ALSO AGREED that GUARANTY NATIONAL INSURANCE COMPANY and LANDMARK AMERICAN INSURANCE COMPANY will reimburse GUARANTY NATIONAL CORPORATION for actual funds disbursed within sixty (60) days from date of issuance.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers, and have caused their respective corporate seals to be affixed, at Englewood, Colorado, this 1st day of October, 19 91 .

GUARANTY NATIONAL CORPORATION

Roger Ware

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

GUARANTY NATIONAL INSURANCE COMPANY

Roger Ware
President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

LANDMARK AMERICAN INSURANCE COMPANY

Roger Ware
President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

92 14 8311

O 13937

Q 356061

12

FORM 10-Q

RECD S.E.C.
MAY 1 4 1992
128

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 1992.

I92-2265

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from .... to ....

Commission File Number 0-11755.

PROCESSED BY
MAY 1 5 1992
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

HOME INTENSIVE CARE, IN
(Exact name of registrant as specified in its ch

STATE OF DELAWARE (State or other jurisdiction of incorporation or organization)	61-0892053 (I.R.S. Employer Identification No.)
150 Northwest 168th Street, North Miami Beach, Florida (Address of principal executive offices)	33169 (Zip Code)

Registrant's telephone number, including area code (305) 653-0000

Former fiscal year: September 30th

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

The number of shares outstanding of the Registrant's common stock $.01 par value as of April 30, 1992, was 14,243,016.

BEST COPY AVAILABLE

HOME INTENSIVE CARE, INC. AND SUBSIDIARIES

INDEX

PART I **FINANCIAL INFORMATION:**

Item 1. Financial Statements:

- Condensed Consolidated Balance Sheets - March 31, 1992 and December 31, 1991.
- Condensed Consolidated Statements of Income - Three months ended March 31, 1992 and 1991.
- Condensed Consolidated Statements of Cash Flows - Three months ended March 31, 1992 and 1991.
- Notes to Condensed Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

PART II **OTHER INFORMATION:**

Item 1. Legal Proceedings

Item 4. Submission of Matters to a Vote of Security Holders

Item 6. Exhibits and Reports on Form 8-K

CONDENSED CONSOLIDATED BALANCE SHEETS - (UNAUDITED)
HOME INTENSIVE CARE, INC. AND SUBSIDIARIES

	March 31, 1992	December 31, 1991
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,117,000	$ 14,156,000
Certificates of deposit and marketable securities	5,150,000	5,950,000
Accounts receivable, less allowance of $4,550,000 and $5,958,000 at March 31, 1992 and December 31, 1991, respectively	18,333,000	17,145,000
Supplies and other current assets	1,791,000	1,134,000
Total current assets	39,391,000	38,385,000
Machinery and equipment, net	6,692,000	5,496,000
Other assets	818,000	605,000
	$ 46,901,000	$ 44,486,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 7,687,000	$ 7,665,000
Deferred and current income taxes	2,590,000	1,863,000
Current portion of long-term debt	189,000	505,000
Current obligations under capital leases	982,000	1,095,000
Estimated liability for closing costs	1,072,000	1,221,000
Total current liabilities	12,520,000	12,349,000
Long-term obligations under capital leases	1,418,000	665,000
Long-term debt	101,000	114,000
Deferred income taxes	291,000	291,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, authorized 5,000,000 shares, none issued	—	—
Common stock, $.01 par value, authorized 25,000,000 shares; issued and outstanding 14,162,616 shares at March 31, 1992 and 14,019,681 shares at December 31, 1991	142,000	140,000
Additional paid-in capital	30,929,000	30,722,000
Retained earnings	1,500,000	205,000
	32,571,000	31,067,000
	$ 46,901,000	$ 44,486,000

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME - (UNAUDITED)
HOME INTENSIVE CARE, INC. AND SUBSIDIARIES

	Three Months Ended March 31,	
	1992	1991
Net revenues:		
Infusion therapy	$ 14,214,000	$ 11,119,000
Dialysis clinics	4,557,000	1,943,000
	18,771,000	13,062,000
Cost of goods sold	6,777,000	4,321,000
Gross profit	11,994,000	8,741,000
Other costs and expenses:		
Operating expenses	6,556,000	4,497,000
Provision for bad debts	1,349,000	1,729,000
General and administrative expenses	2,196,000	1,329,000
	10,101,000	7,555,000
Operating income	1,893,000	1,186,000
Interest income	271,000	84,000
Interest expense	(97,000)	(259,000)
	174,000	(175,000)
Income before income taxes	2,067,000	1,011,000
Provision for income taxes	771,000	199,000
Net income	$ 1,296,000	$ 812,000
Net income per common share:		
Primary and fully diluted	$ 0.09	$ 0.08
Average shares outstanding	15,015,000	10,595,000

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (UNAUDITED)
HOME INTENSIVE CARE, INC. AND SUBSIDIARIES

	Three Months Ended March 31,	
	1992	1991
OPERATING ACTIVITIES:		
Net income	$ 1,296,000	$ 812,000
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	322,000	356,000
Stock grants	62,000	11,000
Write-down of machinery and equipment	—	877,000
Gain on sale of equipment	(20,000)	(393,000)
Provision for doubtful accounts	1,349,000	1,729,000
Changes in operating assets and liabilities net:		
Increase in accounts receivable	(2,412,000)	(3,667,000)
Increase in supplies and other current assets	(657,000)	(253,000)
(Increase) decrease in other assets	(213,000)	52,000
(Decrease) increase in accounts payable and accrued expenses	(103,000)	540,000
Decrease in estimated liability for closing costs	(90,000)	(1,214,000)
Increase in income taxes payable	727,000	231,000
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	261,000	(919,000)
INVESTING ACTIVITIES:		
Purchases of machinery and equipment	(471,000)	(178,000)
Maturities of certificates of deposit	800,000	—
Proceeds from sale of equipment	22,000	421,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	351,000	243,000
FINANCING ACTIVITIES:		
Payments of long-term debt	(329,000)	(206,000)
Payments of capital lease obligations	(468,000)	(601,000)
Proceeds from exercise of common stock options	146,000	375,000
Proceeds from sale of common stock	—	57,000
NET CASH USED IN FINANCING ACTIVITIES	(651,000)	(375,000)
DECREASE IN CASH AND CASH EQUIVALENTS	(39,000)	(1,051,000)
Cash and cash equivalents at beginning of period	14,156,000	4,250,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 14,117,000	$ 3,199,000

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (UNAUDITED)

MARCH 31, 1992

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended September 30, 1991. In October 1991, the Company changed its fiscal year to December 31 creating a transition period for the three months ended December 31, 1991. Accordingly, the Company has elected to present its December 31, 1991 balance sheet in the accompanying condensed consolidated financial statements.

NOTE B - BUSINESS ACQUISITION

In April 1992, the Company signed an agreement to purchase all of the assets and assume substantially all of the recorded liabilities of Preferred Homecare of America, Inc. ("Preferred Homecare"), a home infusion therapy company based in South Florida.

The Company has agreed to issue approximately 864,000 shares of its common stock, subject to adjustments, to Preferred Homecare for subsequent distribution to its common stockholders and an additional number of shares of common stock with a market value at the closing date of approximately $1.1 million to be issued to Preferred Homecare's preferred stockholders. The consummation of the transaction is contingent upon the vote of Preferred Homecare's stockholders and the Company registering the common stock to be issued to Preferred Homecare's stockholders.

NOTE C - LAWSUIT AND LEGISLATION AFFECTING THE COMPANY'S HOME DIALYSIS BUSINESS

During October 1988, Blue Cross/Blue Shield of Florida ("Blue Cross of Florida") notified the Company that the monthly Medicare reimbursement amounts paid for home dialysis supplies and equipment rental would be reduced by approximately 50%. In November 1988, the Company together with several patients filed a lawsuit against Blue Cross of Florida and the Health Care Financing Administration ("HCFA") requesting injunctive relief preventing the reduction of the reimbursement rate.

In December 1988, after a three day hearing, the U.S. District Court for the District of Columbia issued a preliminary injunction against HCFA and Blue Cross of Florida preventing the implementation of the reimbursement rate reduction and ultimately directed the Company to post a $750,000 bond. HCFA had requested an $18 million bond, the amount HCFA claimed the Company was overpaid during the injunction period.

NOTE C - LAWSUIT AND LEGISLATION AFFECTING THE COMPANY'S HOME DIALYSIS BUSINESS (continued)

In February 1989, HCFA filed an appeal of the preliminary injunction with the U.S. Court of Appeals of the District of Columbia. In November 1989, Congress passed The Budget Reconciliation Act of 1989 (the "Budget Act") which established the 1990 Medicare budget. The Budget Act reduced the home dialysis reimbursement rate by approximately 50%, effective February 1, 1990, to essentially the amount proposed by Blue Cross of Florida in October 1988. Reimbursement for virtually all other Medicare items became effective with the passage of the Budget Act. On February 1, 1990 the Company began receiving the lower reimbursement rate.

In April 1990, the Court of Appeals dismissed HCFA's appeal declaring the case moot and not susceptible to judicial resolution because of the Budget Act and remanded the case to the U.S. District Court for further proceedings. In January 1991, the U.S. District Court issued a 15 page memorandum opinion reiterating the correctness of the Court's earlier ruling granting the preliminary injunction in favor of the Company and, on the basis of five independent factors, ordered the return of the Company's $750,000 bond. In March 1991, HCFA filed a notice of appeal.

On March 13, 1992, the Court of Appeals reversed the decision of the U.S. District Court and concluded that the U.S. District Court lacked jurisdiction to hear the case and enter the preliminary injunction. The Court of Appeals concluded that the matter must be determined administratively and then the Company would have the right to seek judicial relief. The case was remanded to the U.S. District Court for resolution of the amount of damages, if any, that HCFA may recover under the $750,000 bond previously posted by the Company. The Court of Appeals decision does not address the merits of HCFA's claims. On April 27, 1992, the Company filed a Petition for Rehearing and Suggestion of Rehearing En Banc, which is pending with the Court of Appeals.

The Company believes that it has substantial defenses to an administrative claim, if any is made by HCFA, because the Company relied upon the U.S. District Court's preliminary injunction and continued to provide services to Medicare beneficiaries during the injunctive period. The Company believes it would be inequitable for HCFA to retroactively seek recovery of monies paid.

Moreover, the Company believes that HCFA did not sustain any damages during the preliminary injunction period (February 1, 1989 to January 31, 1990), because it would have cost the Federal government more than it paid the Company to care for dialysis patients if the Company's equipment and services were not available to provide home dialysis. However, the Company is unable to determine the amounts, if any, that would be required to be refunded to Medicare and other parties if the government is ultimately successful in its claim, but believes that they could be material to the Company's financial position as of March 31, 1992.

NOTE D - MACHINERY AND EQUIPMENT

Machinery and equipment in use is stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of such assets for financial reporting purposes (generally from three to ten years).

Effective January 1, 1992, the Company changed the estimated useful lives of its dialysis machines from five years to ten years. This change was made to better reflect the estimated periods during which such assets remain in service and to conform to industry standards. The change had the effect of reducing depreciation expense by $253,000 and increasing net income by $158,000 or $0.01 per common share for the three months ended March 31, 1992.

NOTE E - OBLIGATIONS UNDER CAPITAL LEASES

The Company has capital lease agreements for certain of its machinery and equipment. The terms of the leases are generally for periods of 36 and 48 months and some of the leases include a bargain purchase option at the end of the lease term. The lease agreements require the Company to pay operating expenses, such as insurance, taxes and maintenance.

NOTE F - NET INCOME PER COMMON SHARE

Net income per common share is computed based on the weighted average number of shares of common stock outstanding during the periods. The effect of dilutive stock options and warrants (common stock equivalents) have been included in the computation of net income per share for the three months ended March 31, 1992 and 1991.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company's principal business activity is providing infusion therapy to patients in their homes. As of March 31, 1992 the Company had 30 regional home infusion centers through which it was administering home infusion therapy. The Company also operates 10 dialysis clinics in various states. The Company offers a full range of infusion services which include HIV spectrum disease therapies; blood transfusions and blood products; cardiotonic therapies; chemotherapy; peritoneal and hemodialysis; human growth hormone; pain management; total parenteral and enteral nutrition; hydration; and antibiotic therapies.

In April 1992, the Company signed an agreement to acquire Preferred Homecare of America, Inc. ("Preferred Homecare"), a home infusion therapy company based in South Florida. The consummation of the transaction is contingent upon the vote of the shareholders of Preferred Homecare (see Note B of Notes to Condensed Consolidated Financial Statements).

Consolidated net revenues for the three months ended March 31, 1992 amounted to $18.8 million compared to $13.1 million for the three months ended March 31, 1991. The 44% increase in net revenues is primarily attributable to increases in home infusion therapy patients serviced at existing locations and the opening of six dialysis clinics during the fiscal year ended September 30, 1991.

Cost of goods sold as a percentage of net revenues increased to 36% for the three months ended March 31, 1992 from 33% for the three months ended March 31, 1991. The increase was primarily due to the opening of six dialysis clinics during the fiscal year ended September 30, 1991 which have a lower gross margin, increased managed care business and the hiring of additional full-time nursing staff as regions continued to mature.

The Company records a provision for doubtful accounts to provide for the portion of net revenues that may be ultimately uncollectible. The provision for doubtful accounts as a percentage of net revenues was 7% for the three months ended March 31, 1992, a decrease from 13% for the three months ended March 31, 1991. The decrease was due to a lower percentage of amounts not reimbursable by third-party payors and increased collections of self-pay balances.

General and administrative expenses as a percentage of net revenues increased from 10% for the three months ended March 31, 1991 to 12% for the three months ended March 31, 1992. The increase was due to increases in personnel at the corporate office and increased marketing efforts in connection with the Company's current and future growth plans.

Interest expense for the three months ended March 31, 1992 amounted to $97,000 compared to $259,000 for the same three month period in 1991. The decrease in interest expense was due to the payment of amounts borrowed under a line of credit, payments on long-term debt and capital lease obligations, and a decline in interest rates. The increase in interest income from $84,000 for the three months ended March 31, 1991 to $271,000 for the three months ended March 31, 1992 was due to the investment of funds received from the sale of 3,675,000 shares of the Company's common stock in a secondary public offering in September 1991.

Net income for the three months ended March 31, 1992 amounted to $1.3 million or $0.09 per common share compared to net income of $812,000 or $0.08 per common share for the three months ended March 31, 1991. Effective January 1, 1992, the Company changed the estimated useful lives of its dialysis machines to better reflect the periods during which such assets remain in service and to conform to industry standards. The change had the effect of increasing net income by $158,000 or $0.01 per common share for the three months ended March 31, 1992. The increase in profitability was due to the increases in revenues from both the home infusion and dialysis clinic businesses of the Company.

Liquidity and Capital Resources

The Company's cash and short-term investments decreased to $19.3 million as of March 31, 1992, from $20.1 million as of December 31, 1991. The decrease was primarily due to payments on long-term debt and capital lease obligations.

The Company believes that its short-term and long-term needs for working capital, capital expenditures, new facilities and acquisitions will be satisfied by cash on hand and funds generated from future operations. Management also believes that the Company will be able to obtain financing if needed using a significant portion of its accounts receivable as collateral for such borrowings. However, there can be no assurance that such credit facilities will be available or that, if available, will be on acceptable terms. The Company has an existing lease line of credit from a financing institution amounting to approximately $2.0 million, of which approximately $1.0 million is presently available.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

In October 1988, Blue Cross of Florida notified the Company that the monthly Medicare reimbursement amounts paid for home dialysis supplies and equipment rental would be reduced by approximately 50%. In November 1988, the Company, together with several patients, filed a lawsuit against Blue Cross of Florida and the Health Care Financing Administration ("HCFA") requesting injunctive relief preventing the reduction of the reimbursement rate. In December 1988, the U.S. District Court for the District of Columbia entered a preliminary injunction against HCFA and Blue Cross of Florida preventing the implementation of the reimbursement rate reduction and ultimately directed the Company to post a $750,000 bond. HCFA had requested an $18 million bond, the amount HCFA claimed the Company was overpaid during the injunction period. Federal law requires a party who receives a preliminary injunction to post a bond which, in the court's discretion, would cover potential damages resulting from a wrongfully issued injunction.

In February 1989, HCFA filed an appeal of the preliminary injunction with the U.S. Court of Appeals of the District of Columbia. In April 1990, the Court of Appeals dismissed HCFA's appeal, declaring the case moot and not susceptible to judicial resolution because of The Budget Reconciliation Act of 1989, and remanded the case to the U.S. District Court for further proceedings. In January 1991, the U.S. District Court ruled that its preliminary injunction was properly entered, dismissed the case as moot and ordered the return to the Company of the $750,000 bond. In March 1991, HCFA filed a notice of appeal.

On March 13, 1992, the Court of Appeals reversed the decision of the U.S. District Court and concluded that the U.S. District Court lacked jurisdiction to hear the case and enter the preliminary injunction. The Court of Appeals concluded that the matter must be determined administratively and then the Company would have the right to seek judicial relief. The case was remanded to the U.S. District Court for resolution of the amount of damages, if any, that HCFA may recover under the $750,000 bond previously posted by the Company. The Court of Appeals decision does not address the merits of HCFA's claims. On April 27, 1992, the Company filed a Petition for Rehearing and Suggestion of Rehearing En Banc, which is pending with the Court of Appeals.

While the Company believes that is has substantial defenses to any administrative claim, if any is made by HCFA, there can be no assurance that the Company will ultimately prevail.

Item 4. Submission of Matters to a Vote of Security Holders

On March 25, 1992, the Company held its annual meeting of stockholders.

The following individuals were all re-elected as directors of the Company:

James P. Cefaratti
William C. Gompers
J. William Grant
John E. Hunt, Sr.
Patrick McEnany
Carrie Meek
Thomas Rosenberg
Arthur Shapiro, M.D.
Charles Simons
Milton Wallace

In addition, Michael Elfenbein the Company's Senior Executive Vice President/Chief Operating Officer was elected as a director.

Other matters voted upon and adopted at the annual meeting were as follows:

i) An amendment to the Company's 1990 Employee Stock Option Plan, which increased the number of shares of common stock reserved for issuance in connection with stock options.

For	9,958,233
Against	1,145,707

ii) An amendment to the Company's 1986 Stock Option Plan, which ensured that there would be, at all times, shares of common stock reserved for issuance upon exercise of reload options.

For	9,908,917
Against	1,193,337

No other matters were voted upon at the annual meeting.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

(11) Statement regarding computation of earnings per common share.

b) Reports on Form 8K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOME INTENSIVE CARE, INC.

DATE: May 13, 1992

By:

Joel Birnbaum
Vice President and
Chief Financial Officer

EXHIBIT 11 - COMPUTATION OF NET INCOME PER SHARE

HOME INTENSIVE CARE, INC. AND SUBSIDIARIES

	Three Months Ended March 31,	
	1992	1991
Primary:		
Average weighted common shares outstanding	14,096,000	9,327,000
Net effect of dilutive stock purchase warrants using average market price during the period	116,000	137,000
Net effect of dilutive stock options using average market price during the period	803,000	553,000
TOTALS	15,015,000	10,017,000
Net income applicable to common stock	$ 1,296,000	$ 812,000
Net income per primary common share	$ 0.09	$ 0.08
Fully diluted:		
Average weighted common shares outstanding	14,096,000	9,327,000
Net effect of dilutive stock purchase warrants using greater of average or closing market price during the period	116,000	325,000
Net effect of dilutive stock options using greater of average or closing market price during the period	803,000	943,000
TOTALS	15,015,000	10,595,000
Net income applicable to common stock	$ 1,296,000	$ 812,000
Net income per fully diluted common share	$ 0.09	$ 0.08

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

92894187

0 30112

Ⓠ 35663

J92-2265 9/

FORM 10-Q

24/13

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarter ended: 3/31/92 Commission file number: 33-2[illegible]255

MASTER VENTURES, INC.
(Exact name of registrant as specified in its charter)

PROCESSED

APR 13 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Colorado
(State or other jurisdiction of
incorporation or organization)

8
(I.F
Ident

7500 E. Arapahoe Rd., #250, Englewood, CO
(Address of principal executive offices)

80112
(Zip Code)

Z30

Registrant's telephone number, including area code: (303) 741-0021

N/A
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for at least the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

25,670,000 shares of common stock, $.001 par value, as of
April 6, 1992

BEST COPY
AVAILABLE

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached pages F-1 through F-5.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Registrant has commenced with its business activities of mergers and acquisitions. Several prospective targets have been reviewed, but no purchase or merger agreements have been signed. During the current quarter, the Registrant earned no revenues, and incurred general and administrative expenses of $3,410.

On June 7, 1991, the Company borrowed $50,000 in working capital to advance its development project of private telephone systems for apartment complexes.

PART I - FINANCIAL INFORMATION

MASTER VENTURES, INC.
CONDENSED BALANCE SHEETS

ASSETS

	(Unaudited) April 30, 1992	Dec. 31, 1991*
Current Assets:		
Cash in bank	$ 9	$ 63
Account Receivable - Stockholder (Note 3)	68,613	71,013
Prepaid expenses	431	431
Total Current Assets	69,053	71,507
Other Assets(Note 1):		
Organization costs - net	358	408
Deposits	325	325
Total Other Assets	683	733
Total Assets	$ 69,736	$ 72,240

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable:		
Trade	$ 279	$ 499
Stockholders (Note 4)	48,589	47,463
Accrued interest	321	321
Total Current Liabilities	49,189	48,283
Stockholders' Equity (Note 2):		
Common stock: $.001 par value, 500,000,000 shares authorized, 25,670,000 shares issued and outstanding at December 31, 1991 and at March 31, 1992	25,670	25,670
Additional paid in capital	33,458	33,458
Stock Purchase Warrants	100	100
Accumulated deficit	(38,681)	(35,271)
Total Stockholders' Equity	20,547	23,957
Total Liabilities and Stockholders' Equity	$ 69,736	$ 72,240

*Condensed from audited financial statements.

See Notes to Condensed Financial Statements.

MASTER VENTURES, INC.
CONDENSED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 1991 AND 1992

	1991	1992
Revenue	$ --	$ --
Expenses:		
Amortization (Note 1)	50	50
Office expense	133	1,029
Rent	1,204	1,204
Interest expense (Note 4)	--	1,127
Total Expenses	2,287	3,410
Net Loss	$ (2,287)	$ (3,410)
Net Loss Per Common Share	Nil	Nil
Common Shares Outstanding	25,670,000	25,670,000

See Notes to Condensed Financial Statements.

MASTER VENTUPES, INC.
CONDENSED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 1991 AND 1992

	1991	1992
Operating Activities:		
Net (Loss)	$ (2,287)	$ (3,410)
Adjustments to Reconcile Income (Loss) to Net Cash Provided by Operations:		
Amortization	50	50
Decrease in Account Receivable	2,075	2,400
Increase in Current Liabilities	9	906
	(153)	(54)
Net (Decrease) in Cash	(153)	(54)
Cash - Beginning of Period	163	63
Cash - End of Period	$ 10	$ 9

MASTER VENTURES, INC..
NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the financial statements of Master Ventures, Inc. These accounting policies conform to generally accepted accounting principles.

In the opinion of management of the Company, all adjustments (all of which were of a normal recurring nature) necessary to a fair statement of the results of operations for the period ended March 31, 1992 have been made.

Master Ventures, Inc. (the Company) was incorporated under the laws of the state of Colorado on January 19, 1989. Planned principal operations of the Company have commenced, but activities to date have been limited to organization, financing activities, seeking out acquisition candidates, and pursuing a private telephone system development project with the support of AT&T. No revenues have been produced from planned operations. The Company intends to evaluate, structure and complete mergers with, or acquisitions of, prospects consisting of private companies, partnerships or sole proprietorships. The Company may seek to acquire a controlling interest in such entities in contemplation of later completing an acquisition.

Organization Costs
The Company is amortizing organizational costs over a five year period using the straight-line method.

Income Taxes
The Company has made no provision for income taxes because of financial statement and tax losses. At December 31, 1990 the Company had a net operating loss carryforward of approximately $35,271.

Net Loss Per Common Share
The net loss per common share is computed by dividing the net loss for the period by the weighted average number of shares outstanding.

2. Capital Stock

Common Stock
The authorized capital stock of the Company is 500,000,000 shares of common stock, $.001 par value.

Public Offering
The Company has authorized to offer and sell to the public up to 25,000,000 shares of common stock for $.01 per share. The Company has filed a Registration Statement for these securities on Form S-18 under the Securities Act of 1933, as amended, with the United States Securities and Exchange Commission.

On May 18, 1990, the Company completed its offering by selling 5,670,000 shares for gross proceeds of $56,700.

On October 6, 1989, the Company sold to the existing inside stockholders, twenty million stock purchase warrants at a total cost of $100. These warrants may be exercised at $.05 per warrant for a period of three years from the date of the prospectus.

3. Related Party Transactions

From the close of the public offering on May 23, 1990 through March 31, 1992, the Company advanced $75,988 to Anthony J. Haas, President of the Company. As of March 31, 1992, $4,975 was repaid by Mr. Haas.

4. Account Payable - Stockholders

On June 7, 1991, the Company entered into a financing agreement with two current stockholders of the Company, wherein the stockholders borrowed $50,000 on behalf of the Company and remitted the loan proceeds to the Company for working capital. Under the terms of the Agreement, the Company is to make monthly payments of $1,000 principal plus interest directly to the lending bank until paid in full. If the Company cannot make the payments, the stockholders will do so. Interest paid by the stockholders is reflected as an addition to the "Account Payable - Stockholders".

As consideration for providing the $50,000 financing, the Company's President transferred 500,000 shares of his Master Ventures, Inc. common stock to the stockholders. The stockholders have the option to purchase an additional 250,000 shares from Mr. Haas for $50,000. Furthermore, the stockholders have the option to treat any payments made on the $50,000 note as pro-rata payment for the 250,000 shares of common stock. The purchase option expires on June 6, 1992.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

Not Applicable

SIGNATURE

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MASTER VENTURES, INC.

Date: 4-6-92

By: Anthony J. Haas, President

Date: 4-6-92

By: Janet S. Haas
Janet S. Haas, Secretary

0 6655
Q 336056

92 18 3218

SECURITIES AND EXCHANGE COMMISSION

EXECUTED COPY
with Exhibits

37/

Washington D.C. 10549

RECD S.E.C.
JUL 9 1992
143

Form 10-Q

X Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

7/10
7/14

For Quarterly Period Ended March 31, 1992

____ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period From __________ to __________

L92-2265

Commission File No. 0-13019

MONITERM CORPORATION
(Exact name of Registrant as specified in its Charter)

Minnesota	41-1318657
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5740 Green Circle Drive, Minnetonka, Minnesota	55343
(Address of principal executive offices)	(Zip Code)

(612) 935-4151
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X Yes ____ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock $.025 Par Value	7,833,431
Class of Common Stock	Shares outstanding as of June 1, 1992

PROCESSED BY
37-15
JUL 17

BEST COPY AVAILABLE

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

MONITERM CORPORATION

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Page Number

Statements of Consolidated Assets and Liabilities (liquidation basis – unaudited) as of March 31, 1992 and December 31, 1991 3

Condensed Consolidated Statements of Discontinued Operations for the three months ended March 31, 1992 (liquidation basis) and 1991 (going concern basis) (unaudited) 5

Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 1992 (liquidation basis) and 1991 (going concern basis) (unaudited) 6

Notes to the Condensed Consolidated Financial Statements 7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 9

PART II. OTHER INFORMATION

Item 1. Legal Proceedings 14

MONITERM CORPORATION

(In process of liquidation)

Statements of Consolidated Assets and Liabilities (liquidation basis – unaudited) as of March 31, 1992 and December 31, 1991

ASSETS	March 31, 1992	December 31, 1991
Cash	$352,043	$ 408,891
Trade accounts receivable - net of allowance for doubtful accounts of $325,000 at March 31, 1992 and Dec. 31, 1991	118,993	994,811
Inventories (Note 2)	177,513	774,136
Assets of subsidiary sold subsequent to December 31, 1991	—	135,000
Deposits	105,211	99,476
Property and equipment held for sale	82,035	112,035
Other assets	90,168	90,168
TOTAL ASSETS	$925,963	$2,614,517

See accompanying notes to condensed consolidated financial statements.

MONITERM CORPORATION
(In process of liquidation)
Statements of Consolidated Assets and Liabilities (liquidation basis – unaudited) as of March 31, 1992 and December 31, 1991

LIABILITIES	March 31, 1992	December 31, 1991
Liabilities not subject to compromise:		
Notes payable	—	$1,155,991
Accounts payable	—	10,777
Accrued liabilities	$ 64,000	106,532
Reserve for estimated costs during the period of liquidation	443,784	922,000
	507,784	2,195,300
Liabilities subject to compromise:		
Accounts payable	4,843,787	4,799,480
Accrued liabilities	459,875	459,875
Current installments of long term debt	639,604	639,604
	5,943,266	5,898,959
Total	6,451,050	8,094,259
Liabilities in excess of assets in liquidation	(5,525,087)	(5,479,742)
Liabilities estimated to be paid upon liquidation	$ 925,963	$2,614,517

See accompanying notes to condensed consolidated financial statements.

MONITERM CORPORATION
(In process of liquidation)
Condensed Consolidated Statements of Discontinued Operations
(Unaudited)

	Three months ended March 31,	
	1992 (liquidation basis)	1991 (going concern basis)
Net sales	$1,200,257	$5,203,328
Cost of sales	1,231,010	4,473,207
Gross profit	(30,753)	730,121
Selling, general and administrative expenses	---	880,648
Engineering and development expense	---	258,002
	---	1,138,650
Operating loss	(30,753)	(408,529)
Other income (expense)	(14,592)	(87,500)
Net loss	$ (45,345)	$ (496,029)
Net loss per common share	$ (.01)	$ (.11)
Weighted average common shares	7,833,431	4,653,431

See accompanying notes to condensed consolidated financial statements.

MONITERM CORPORATION

(In process of liquidation)

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended March 31,	
	1992 (liquidation basis)	1991 (going concern basis)
Cash flows from operating activities:		
Net loss	$(45,345)	$(496,029)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	---	84,182
Decrease in trade accounts receivable	875,818	196,883
Decrease in inventories	596,623	473,518
Increase in prepaid expenses	(5,735)	(19,685)
Increase in income taxes receivable	---	17,020
Decrease in accounts payable and accrued liabilities	(487,218)	(156,351)
Other	165,000	(29,709)
Total adjustments	1,144,488	565,858
Net cash provided by operating activities	1,099,143	69,829
Cash flows from investing activities:		
Acquisition of equipment	---	(74,533)
Net cash used in investing activities	---	(74,533)
Cash flows from financing activities:		
Net borrowings (payments) under line of credit and term loan	(1,155,991)	186,812
Reduction of long term debt	---	(64,725)
Net cash provided by (used in) financing activities	(1,155,991)	122,087
Net increase (decrease) in cash	(56,848)	117,383
Cash beginning of period	408,891	52,956
Cash end of period	$ 352,043	$ 170,339

See accompanying notes to condensed

MONITERM CORPORATION
Notes to Condensed Consolidated Financial Statements
March 31, 1992
(Unaudited)

NOTE 1. FINANCIAL STATEMENTS

In accordance with generally accepted accounting principles, effective December 31, 1991, the Company adopted the liquidation basis of accounting. Under the liquidation basis of accounting, assets are valued at estimated net realizable value and liabilities include estimated costs of sale, collection, and disposition of assets. The valuation of assets and liabilities necessarily requires many estimates and assumptions and there are substantial uncertainties in carrying out the liquidation. The accrual to record estimated liabilities associated with carrying out the liquidation was based upon the liquidation being completed by June 30, 1992. If the liquidation process is not completed by such date, additional expenses may be incurred to complete the liquidation.

As a result of the adoption of the liquidation basis of accounting, the consolidated financial statements as of and for the three months ended March 31, 1992, are not comparable with the consolidated financial statements for the three months ended March 31, 1991, which were presented on the going-concern basis.

The statement of consolidated assets and liabilities (liquidation basis - unaudited) as of March 31, 1992, and December 31, 1991, the condensed consolidated statements of discontinued operations (unaudited) for each of the three month periods ended March 31, 1992 and 1991, and the condensed consolidated statements of cash flows (unaudited) for each of the three month periods ended March 31, 1992 and 1991 have been prepared by the Company without audit as indicated. In the opinion of management, all adjustments necessary to present fairly the financial position, on the liquidation basis of accounting, at March 31, 1992 and December 31, 1991, and the results of operations and cash flows for the periods presented have been made.

The consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 1991 Form 10-K report.

NOTE 2. INVENTORIES

Inventories consisted of the following:

	March 31, 1992	December 31, 1991
Raw materials	---	$567,975
Work in process	---	100,317
Finished goods	$177,513	105,844
	$177,513	$774,136

MONITERM CORPORATION

Notes to Condensed Consolidated Financial Statements (continued)

March 31, 1992

(Unaudited)

NOTE 3. INCOME TAXES

At March 31, 1992, the Company has net operating loss carryforwards for financial reporting purposes of approximately $13,291,000 and approximately $6,087,000 for federal tax reporting purposes, which expire in the years 2004 thru 2006.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On November 12, 1991, Moniterm Corporation ("Moniterm") and its subsidiary, Wasatch High Voltage ("Wasatch"), filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Both cases were filed in the District of Minnesota.

In February 1992, Moniterm ceased manufacturing operations and by the end of March 1992, the 8 remaining employees were completing the liquidation of the remaining assets.

Monitor Technology Corporation, a corporation whose President is C. Paul Pesek, a greater than 5% shareholder of Moniterm signed a Letter of Intent on March 23, 1992 under which it agreed to purchase substantially all of the remaining assets of Moniterm, excluding cash, accounts receivable, and most of the finished goods. This transaction closed on May 5, 1992.

Debtor's Plans of Reorganization dated April 21, 1992, for Moniterm and Wasatch, as modified, were presented to the Bankruptcy Court for confirmation on June 10, 1992. Under the plans, the Company will complete the liquidation of its assets. Both plans were confirmed by the Bankruptcy Court on June 10, 1992.

Under Moniterm's Liquidating Plan of Reorganization (the "Plan") as confirmed by the bankruptcy court, all shares of Moniterm Common Stock will be cancelled on the Effective Date of the Plan which the Company expects will be July 10, 1992. Priority wage claims and priority employee benefit claims will be paid in cash on the Effective Date. Secured creditors will receive either collateral or cash. A distribution must be made to the general unsecured creditors from Net Liquidation Proceeds within 90 days of the Plan's Effective Date. Net Liquidation Proceeds include those liquidation proceeds remaining after payment of all priority claims, secured claims, small unsecured claims, compensation and expenses of the disbursing agent and costs and expenses incurred by Moniterm in the liquidation process. Subsequent distributions are to be made whenever Moniterm has accumulated net liquidation proceeds in the amount of $100,000. Moniterm's shareholders are not entitled to any distribution until all senior claims and expenses of liquidation have been paid in full.

In April 1992, the Company projected the following distribution and effect on liquidity under the confirmed plan:

MONITERM CORPORATION
Projected Distribution Under Confirmed Plan

ASSETS:	Estimated Book Value[19]	Projected Liquid. Value
Cash and Equivalents	$ 200,000[1]	$200,000
Accounts Receivable (net)	200,000	100,000[2]
Account — Wasatch High Voltage	660,000	41,000[3]
Equipment	460,000	100,000[4]
Inventory		
Finished Goods	458,000	125,000[5]
WIP	0	0
Raw Materials	2,000,000	100,000[6]
Utility Deposit	10,000	10,000
Deposit — Engineered Polymers	50,000	25,000[7]
Prepaid Expenses	15,000	0

---

[1] Preliminary, unreconciled bank account balance as of 4/10/92.

[2] The liquidation value is 50% of estimated book value of net accounts receivable as of 4/10/92.

[3] Assumes a 9% distribution on a general unsecured claim of $460,000 which is the amount allowed under a settlement negotiated by the Committee and the Official Committee of Wasatch High Voltage, the terms of which are set forth in Article IX of the Plan.

[4] The liquidation value represents an arbitrarily allocated portion of the $300,000 cash purchase price Monitor Technology Corporation has agreed to pay to purchase essentially all of Moniterm's remaining tangible personal property and technology.

[5] Monitor Technology Corporation has agreed to purchase 357 SuperMac monitors with a book value of approximately $208,000 for $75,000. The remaining $50,000 of liquidation value represents 20% of the remaining $250,000 of estimated book value as of 4/10/92.

[6] The liquidation value represents an arbitrarily allocated portion of the $300,000 cash purchase price Monitor Technology Corporation has agreed to pay to purchase essentially all of Moniterm's remaining tangible personal property and technology.

[7] Engineered Polymers Corporation asserts that it applied the $50,000 deposit to Moniterm's prepetition debt prior to the Filing Date and that Moniterm is not entitled to recover any portion of the deposit. Moniterm's recovery from Engineered Polymers Corporation could range from $50,000 to nothing.

MONITERM CORPORATION
Projected Distribution Under Confirmed Plan

	Estimated Book Value[19]	Projected Liquid. Value
Cash Value of Life Insurance Policy	87,000	$ 87,000[8]
Intangible Assets	0	25,000[9]
Royalties Claims		
Sperry Marine, Inc.	0	20,000[10]
Thomas Research Corporation	0	0
Rights of Action (preferences, etc.)		
Thomas Research Corporation	0	0[11]
SuperMac Technology	0	67,000[12]
Total Proceeds of Liquidation		$900,000

---

[8] C. Paul Pesek has agreed to release any interest he might have in the insurance policy as part of the purchase price Monitor Technology Corporation has agreed to pay to purchase essentially all of Moniterm's remaining tangible personal property and technology. In a dispute over the ownership of the life insurance policy Moniterm's recovery of the policy's cash value could range from approximately $87,000 to nothing.

[9] The liquidation value represents an arbitrarily allocated portion of the $300,000 cash purchase price Monitor Technology Corporation has agreed to pay to purchase essentially all of Moniterm's remaining tangible personal property and technology.

[10] Under a conditional manufacturing license, Sperry Marine, Inc. is obligated to pay Moniterm from $65.00 to $196.00 for each monitor it has produced by another contractor, depending on the model of the monitor. In 1991, Sperry Marine, Inc. purchased approximately 200 monitors from Moniterm. The liquidation value represents the product of 200 monitors multiplied by an estimated average royalty of $100.00 per monitor.

[11] Moniterm initially anticipated it would receive approximately $60,000 in royalties from Thomas Research Corp., but Moniterm now believes based on discussions with Thomas Research Corp. that the latter's poor sales performance will result in no royalty payments to Moniterm.

[12] Moniterm's recovery from SuperMac Technology could range from approximately $133,000, assuming the 357 monitors which are the subject of the dispute are sold to Monitor Technology Corporation for $75,000 to nothing.

MONITERM CORPORATION

Projected Distribution Under Confirmed Plan

LIABILITIES:	**Estimated Book Value**[12]	**Projected Liquid. Value**
Secured Claims		
AllTool Manufacturing Co. (potential)		$ 11,000[13]
Midwest Plastics, Inc. (potential)		9,000[14]
Professional Fees & Expenses		
Debtor's Attorneys		20,000
Committee's Attorneys		35,000
CEO Consultants		10,000
Accountants		15,000[15]
Administrative Expenses		
Wasatch High Voltage	$ 90,000	
Less — settlement	(90,000)	
Net		0[16]
Rent		10,000[17]
Payroll & Associated Taxes		40,000[17]
Directors & Officers Insurance (tail)		110,000
Sales Tax		15,000

---

[13] AllTool Manufacturing Co. might assert a lien on property that Moniterm proposes to sell to Monitor Technology Corp. Moniterm has moved for a court order approving the sale. Moniterm believes the value of the collateral is minimal. In the event the sale is not approved, the plan provides that Moniterm may surrender the collateral to the secured creditor in satisfaction of its secured claim. AllTool Manufacturing Co. has filed a proof of claim asserting an unsecured claim in the amount of $11,108.41.

[14] Midwest Plastics, Inc. might assert a lien on property that Moniterm proposed to sell to Monitor Technology Corp. Moniterm has moved for a court order approving the sale. Moniterm believes the value of the collateral is minimal. In the event the sale is not approved, the Plan provides that Moniterm may surrender the collateral to the secured creditor in satisfaction of its secured claim. Midwest Plastics, Inc. has filed a proof of claim asserting an unsecured claim in the amount of $9,035.00.

[15] Net of $45,000 post-petition retainer available for application to fees and expenses allowed by court order.

[16] The Committee and the Official Committee of Unsecured Creditors of Wasatch High Voltage have negotiated a settlement under which Moniterm would pay nothing on the administrative expense claim of Wasatch High Voltage. The terms of the settlement are set forth in Article IX of the Plan.

[17] These expenses are for the period from 4/1/92 through 5/31/92, the estimated date of confirmation. They will be paid from the proceeds of liquidation on an ongoing basis.

MONITERM CORPORATION

Projected Distribution Under Confirmed Plan

	Estimated Book Value[19]	Projected Liquid. Value
Assumed Contracts/Leases		20,000[18]
U.S. Trustees Fees		8,000
Priority Tax Claims — 11 U.S.C. § 507 (a) (7)		62,000
Classified Unsecured Priority Claims		
Wage Claims		36,000
Employee Benefit Claims		0
Post-Confirmation Expenses		
Attorney's Fees & Expenses — Debtor		20,000
Disbursing Agent's Fees & Expenses		20,000
Rent		10,000
Payroll & Associated Taxes		20,000
Net Proceeds Available to General Unsecured Creditors		429,000
Total General Unsecured Claims		4,226,000
Percentage Recovery on General Unsecured Claims		10.2%

As of June 10, 1992, Moniterm had essentially liquidated all of its tangible assets and only a few Accounts Receivable remain for the Company to pursue for collection. Claims litigation has also been completed except in a couple isolated cases. In addition, one or two immaterial lawsuits remain ongoing, yet they are unlikely to generate a lot of proceeds. Moniterm anticipates that it will be fully liquidated and all provisions of the Liquidating Plan of Reorganization will be completed by the end of fiscal year 1992.

---

[18] Obligation resulting from Debtor's assumption of severance agreement with Michael F. Bristow.

[19] Before application of liquidation basis.

PART II

ITEM 1. LEGAL PROCEEDINGS

Moniterm's and Wasatch's Second Amended Liquidating Plans of Reorganization dated April 21, 1992, as modified were confirmed by the United States Bankruptcy Court District of Minnesota on June 10, 1992.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

3.1	Amendment of Restated Bylaws	Article XI of Exhibit 10.1 of this Form 10-Q.
10.1	Moniterm's Second Amended Liquidating Plan of Reorganization dated April 21, 1992, as modified June 10, 1992.	16
10.2	Wasatch's Modified, Amended Liquidating Plan of Reorganization dated February 28, 1992, as modified June 10, 1992.	29

SIGNATURES

Pursuant to the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MONITERM CORPORATION
(Registrant)

Date: June 30, 1992

F.G. Hamilton
Sullivan Associates Inc.
Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

EXHIBIT 10.1

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

MONITERM CORPORATION,

Debtor.

Case No. BKY 4-91-7681

Chapter 11 Case

DEBTOR'S SECOND AMENDED LIQUIDATING PLAN OF REORGANIZATION

April 21, 1992
AS MODIFIED JUNE 10, 1992

Debtor proposes the following plan of reorganization pursuant to the provisions of Chapter 11 of the Bankruptcy Code.

ARTICLE I

Definitions

For purposes of this Plan, the following terms shall have the respective meanings hereinafter set forth. Any terms contained in this Plan that are not specifically defined shall have the meaning provided for in the Bankruptcy Code, unless the context otherwise requires.

"Clerk" means the office of the clerk of the United States Bankruptcy Court for the District of Minnesota.

"Committee" means the Official Committee of Unsecured Creditors, appointed by the U.S. Trustee and consisting of:

Michael Kearney
Phillips Display Components Co.
1600 Huron Parkway
P.O. Box 963
Ann Arbor, MI 55337

James Mertes
Innovex, Inc.
1313 Fifth Street South
Hopkins, MN 55343

Jake Dungan
Hibbing Printed Circuits
3430 East 13th Avenue
P.O. Box 746
Hibbing, MN 55746

"Counsel for the Committee" means Michael B. LeBaron and the law firm of Larkin, Hoffman, Daly & Lindgren, Ltd., 1500 Norwest Financial Center, 7900 Xerxes Avenue South, Bloomington, Minnesota 55431.

"Court" means a United States Bankruptcy Judge for the District of Minnesota.

"Debtor" means Moniterm Corporation.

"Disbursing Agent" means Sullivan Associates, Inc., Suite 940, 6465 Wayzata Boulevard, St. Louis Park, Minnesota 55426, or a successor approved by a Court Order after notice to the United States Trustee, when acting pursuant to the powers granted in Article VI of this Plan.

"Effective Date" means the thirtieth day after the date on which a Final Order confirming this Plan is entered, or such later date by which Debtor has liquidated sufficient assets to make the payments described herein.

"Filing Date" means November 12, 1991.

"Final Order" means an order of the Court that has not been reversed, stayed, modified, or amended and as to which the time to appeal or to seek review or rehearing has expired. Debtor may elect to waive provisions relating to appeal, review, or rehearing and treat any order of this Court as a Final Order and may distribute and otherwise proceed under this Plan, even if a motion to extend time for appeal or an appeal is pending, unless the order is stayed.

"Plan" means this Chapter 11 plan of reorganization as amended or modified.

"Pro-Rata Share" means, as to a claimant, the amount determined by multiplying the total amount of the payment to a particular class by a fraction, the numerator of which is the amount of the claimant's allowed claim and the denominator of which is the total amount of all allowed claims in that class.

"Schedules" means the schedules of assets and liabilities of Debtor on file with the Clerk of Bankruptcy Court for the District of Minnesota, as from time to time amended in accordance with Bankruptcy Rule 1009.

ARTICLE II

Treatment of Certain Priority Claims

Allowed claims that are not classified shall be treated as follows:

(a) Allowed administrative expense claims, except as otherwise treated herein, and including fees of professionals, shall be paid in full in cash on the Effective Date, or on such other date as the Court may fix, or in the ordinary course of business as the claims mature, or upon such other terms as may be agreed upon by each claimant and Debtor.

(b) Post-Petition claims incurred in the ordinary course of Debtor's business will be paid as such claims become due, as agreed between each claimant and the Debtor or otherwise in the ordinary course of Debtor's business.

(c) Executory contracts or unexpired leases that are assumed (including contracts assumed and assigned) by Debtor during the Chapter 11 case will be paid according to the terms of the contracts or leases, or according to the terms of any order of the Court approving assumption of such contract or lease.

(d) Holders of allowed claims specified in Bankruptcy Code § 507(a)(7) (certain taxes) will be paid in full in cash on the Effective Date or as soon thereafter as sufficient funds are available from liquidation of Debtor, after payment of administrative expenses and Category 1 claims. In no event will holders of allowed § 507(a)(7) claims be paid later than 6 years after the date the taxes were assessed, and such claimants shall be entitled to interest on the unpaid portion of their allowed claims after the Effective Date at the rate of 9% per annum.

(e) Fees payable by Debtor under 28 U.S.C. § 1930 will be paid in full in cash on the Effective Date.

ARTICLE III

Category 1 -- Priority Claims

Class 1-A -- Priority Wage Claims. This class consists of all allowed claims of Debtor's employees entitled to priority pursuant to Bankruptcy Code § 507(a)(3).

10

Allowed claims in this class 1-A will be paid in full in cash on the Effective Date. No unsecured claims of a lower priority will be paid before claims in this class are paid in full.

Class 1-B -- Priority Employee Benefit Claims. This class consists of all allowed claims entitled to priority pursuant to Bankruptcy Code § 507(a)(4).

Allowed claims in this class 1-B will be paid in full in cash on the Effective Date. No unsecured claims of a lower priority will be paid before claims in this class are paid in full.

Category 2 -- Secured Claims

Class 2-A -- Secured Claim of Congress Financial Corporation. This class consists of the allowed secured claim of Congress Financial Corporation.

Congress Financial Corporation's secured claim has been paid in full from the proceeds of the liquidation of Debtor with the exception of certain minimal accrued but unbilled attorneys' fees and related expenses, certain minimal attorneys' fees and expenses which will accrue prior to confirmation, and certain contingent claims which may result from (a) the dishonoring of certain checks in respect of payment of accounts receivable, the proceeds of which were applied in reduction of Congress Financial Corporation's allowed secured claim, and (b) certain tax liabilities, if any, which accrued prior to the date of termination of Congress Financial Corporation's financing relationship with Debtor for which Congress Financial Corporation may be liable under applicable law. Debtor believes that Congress Financial Corporation in all likelihood will have no further claim against Debtor other than those attorneys' fees and expenses identified in the preceding sentence. Congress Financial Corporation ceased its lending relationship with Debtor as of April 12, 1992. Debtor does not envision a need to borrow any further amounts from Congress Financial Corporation in the future. Congress Financial Corporation, however, will retain its liens upon the assets of Debtor until all of the above-described attorneys' fees have been paid in full prior to or upon the Effective Date of the Plan and until all contingent claims with respect to dishonored receivable checks and/or tax liabilities have been resolved. Debtor believes that all such contingent claims will be resolved well before confirmation. No amount shall be paid by Debtor to holders of unsecured claims without consent by Congress Financial Corporation or Court Order until any remaining claims in this class has been paid in full. Congress Financial Corporation shall provide Debtor with an accounting of all attorneys' fees or charges other than principal and interest included in Congress Financial Corporation's secured claim and accrued after the Filing Date. Provided there is no dispute by Debtor or the Committee of the attorneys' fees and charges identified in the preceding sentence, Debtor will provide Congress Financial Corporation with a general release in exchange for Congress Financial Corporation's general release of Debtor and Congress Financial Corporation's release of all of its liens and security interests as of the Effective Date of the Plan.

Class 2-B -- Potential Secured Claim of AllTool Manufacturing Co. This class consists of the allowed secured claim, if any, of AllTool Manufacturing Co.

To the extent AllTool Manufacturing Co. is allowed a secured claim, its allowed secured claim will be satisfied by surrendering to AllTool Manufacturing Co. the collateral that secures its claim or, at the option of Debtor, by the payment to AllTool Manufacturing Co. of the value of that collateral as determined by Final Order of the Court or by agreement of Debtor and AllTool Manufacturing Co. In the event that Debtor elects to pay to AllTool Manufacturing Co. the value of the Collateral that secures its claim, that amount shall be paid from the proceeds of liquidation of Debtor's assets, will bear interest on the unpaid amount after the Effective Date at the rate of 9% per annum, and will be paid when proceeds are available from the liquidation of the collateral securing this claim, or when proceeds are available from the liquidation of other assets after payment in full of Congress Financial Corporation's secured claim, whichever is earlier. AllTool Manufacturing Co. will retain its lien on the collateral that secures its claim in this class until such claim, if any, is paid in full. If Debtor pays the claim in full, AllTool Manufacturing Co. shall immediately release the collateral to Debtor.

Class 2-C -- Potential Secured Claim of Engineered Polymers Corp. This class consists of the allowed secured claim, if any, of Engineered Polymers Corp.

To the extent Engineered Polymers Corp. is allowed a secured claim, its allowed secured claim will be satisfied by surrendering to Engineered Polymers Corp. the collateral that secures its claim or, at the option of Debtor, by the payment to Engineered Polymers Corp. of the value of that collateral as determined by Final Order of the Court or by agreement of Debtor and Engineered Polymers Corp. In the event that Debtor elects to pay to Engineered Polymers Corp. the value of the Collateral that secures its claim, that amount shall be paid from the proceeds of liquidation of Debtor's assets, will bear interest on the unpaid amount after the Effective Date at the rate of 9% per annum, and will be paid when proceeds are available from the liquidation of the collateral securing this claim, or when proceeds are available from the liquidation of other assets after payment in full of Congress Financial Corporation's secured claim, whichever is earlier. Engineered Polymers Corp. will retain its lien on the collateral that secures its claim in this class until such claim, if any, is paid in full. If Debtor pays the claim in full, Engineered Polymers Corp. shall immediately release the collateral to Debtor.

Class 2-D -- Potential Secured Claim of Midwest Plastics, Inc. This class consists of the allowed secured claim, if any, of Midwest Plastics, Inc.

To the extent Midwest Plastics, Inc. is allowed a secured claim, its allowed secured claim will be satisfied by surrendering to Midwest Plastics, Inc. the collateral that secures its claim or, at the option of Debtor, by the payment to Midwest Plastics, Inc. of the value of that collateral as determined by Final Order of the Court or by agreement of Debtor and Midwest Plastics, Inc. In the event that Debtor elects to pay to Midwest Plastics, Inc. the value of the Collateral that secures its claim, that amount shall be paid from the proceeds of liquidation of Debtor's assets, will bear interest on the unpaid amount after the Effective Date at the rate of

9% per annum, and will be paid when proceeds are available from the liquidation of the collateral securing this claim, or when proceeds are available from the liquidation of other assets after payment in full of Congress Financial Corporation's secured claim, whichever is earlier. Midwest Plastics, Inc. will retain its lien on the collateral that secures its claim in this class until such claim, if any, is paid in full. If Debtor pays the claim in full, Midwest Plastics, Inc. shall immediately release the collateral to Debtor.

Class 2-E -- Potential Secured Claim of Nationwide Funding, Inc. This class consists of the allowed secured claim, if any, of Nationwide Funding, Inc.

To the extent Nationwide Funding, Inc. is allowed a secured claim, its allowed secured claim will be satisfied by surrendering to Nationwide Funding, Inc. the collateral that secures its claim or, at the option of Debtor, by the payment to Nationwide Funding, Inc. of the value of that collateral as determined by Final Order of the Court or by agreement of Debtor and Nationwide Funding, Inc. In the event that Debtor elects to pay to Nationwide Funding, Inc. the value of the Collateral that secures its claim, that amount shall be paid from the proceeds of liquidation of Debtor's assets, will bear interest on the unpaid amount after the Effective Date at the rate of 9% per annum, and will be paid when proceeds are available from the liquidation of the collateral securing this claim, or when proceeds are available from the liquidation of other assets after payment in full of Congress Financial Corporation's secured claim, whichever is earlier. Nationwide Funding, Inc. will retain its lien on the collateral that secures its claim in this class until such claim, if any, is paid in full. If Debtor pays the claim in full, Nationwide Funding, Inc. shall immediately release the collateral to Debtor.

Class 2-F -- Potential Secured Claim of Telogy, Inc. This class consists of the allowed secured claim, if any, of Telogy, Inc.

To the extent Telogy, Inc. is allowed a secured claim, its allowed secured claim will be satisfied by surrendering to Telogy, Inc. the collateral that secures its claim or, at the option of Debtor, by the payment to Telogy, Inc. of the value of that collateral as determined by Final Order of the Court or by agreement of Debtor and Telogy, Inc. In the event that Debtor elects to pay to Telogy, Inc. the value of the Collateral that secures its claim, that amount shall be paid from the proceeds of liquidation of Debtor's assets, will bear interest on the unpaid amount after the Effective Date at the rate of 9% per annum, and will be paid when proceeds are available from the liquidation of the collateral securing this claim, or when proceeds are available from the liquidation of other assets after payment in full of Congress Financial Corporation's secured claim, whichever is earlier. Telogy, Inc. will retain its lien on the collateral that secures its claim in this class until such claim, if any, is paid in full. If Debtor pays the claim in full, Telogy, Inc. shall immediately release the collateral to Debtor.

Category 3 -- Unsecured Claims

Class 3-A -- Small Unsecured Claims. This class consists of all allowed unsecured claims not entitled to priority that are less than or equal to $25.00. Holders of larger allowed claims may elect to come within and be treated as class 3-A claims by reducing their allowed claims to $25.00.

The claims in this class 3-A will be paid in full in cash when sufficient funds are available from liquidation of Debtor, after payment in full of all allowed priority and secured claims against Debtor.

Class 3-B -- General Unsecured Claims. This class consists of all allowed unsecured claims not entitled to priority that are not classified and have not elected to be treated under any other class in this Plan.

The claimants in this class will be paid their Pro-Rata Share of the Net Liquidation Proceeds (as defined below). Net Liquidation Proceeds means the proceeds of liquidation of Debtor remaining after payment of all priority claims, secured claims, small unsecured claims, compensation and expenses of the Disbursing Agent and costs and expenses incurred by Debtor in the liquidation process, and payable to the holders of claims in this class.

The claims in this class will be paid in one or more distributions when the Net Liquidation Proceeds become available. The Disbursing Agent shall make an initial distribution within ninety (90) days after the Effective Date of the Plan. The Disbursing Agent shall make a subsequent distribution or distributions whenever Debtor has accumulated, after excluding a reserve for expenses that the Disbursing Agent reasonably anticipates cannot be paid from later liquidation proceeds, Net Liquidation Proceeds in the amount of $100,000.00.

Category 4 -- Equity Interests

Class 4-A -- Interests of Shareholders. This class consists of all allowed interests of shareholders in Debtor.

Shareholders in Debtor will not be entitled to any distribution in this case until all senior claims and expenses of liquidation have been paid in full. If there are funds available for distribution to shareholders, each shareholder will receive a pro rata share of such funds based on the number of shares of Debtor's stock owned by each shareholder on the Effective Date of the Plan. All shares of Debtor's stock are cancelled as of the Effective Date of the Plan.

ARTICLE IV

Classes of Claims and Interests Impaired Under Plan

The following classes of claims or interests are impaired under this Plan: 3-B and 4-A.

The following classes of claims or interests are unimpaired under this Plan: 1-A, 1-B, 2-A, 2-B, 2-D, 2-E, 2-F and 3-A.

ARTICLE V

General Provisions

(a) Payments under this Plan will be made by check, mailed with first class postage pre-paid, to the claimant at the address listed on its proof of claim or, if no proof of claim has been filed by the date of the hearing on confirmation, to the address listed on the Schedules.

(b) Debtor reserves the right to designate the application of any payment on a claim under this Plan.

(c) Payments and other distributions under this Plan will be made as soon as practicable on or following the Effective Date, except as otherwise specified in this Plan.

(d) In the event a payment is returned to Debtor unclaimed, with no indication of claimant's forwarding address, Debtor will hold such payment for a period of six months from the date of return. If not claimed by the claimant by the end of that period, the payment shall become the property of Debtor, and shall be treated as proceeds of liquidation.

(e) Claims not timely filed will not participate in distributions under this Plan unless otherwise ordered by the Court.

(f) In the event this Plan is not confirmed under Bankruptcy Code § 1129(a), Debtor requests that this Plan be confirmed under Bankruptcy Code § 1129(b).

(g) Debtor is not obligated to provide any retiree benefits, as that term is defined in Bankruptcy Code § 1114.

(h) The articles and bylaws of Debtor shall be amended as required by Bankruptcy Code § 1123(a)(6) and as may otherwise be required by this Plan.

(i) Shareholders of record of Debtor as of the close of business on the date an order is entered approving the Disclosure Statement are entitled to vote with respect to this Plan.

ARTICLE VI

Means for Execution of Plan

The Disbursing Agent shall be responsible for liquidating Debtor's assets and distributing the proceeds of that liquidation pursuant to this Plan. The Disbursing Agent shall dispose of or abandon all assets of Debtor, except rights of action, within sixty (60) days after the Effective Date of the Plan. The Disbursing Agent and Debtor will use their best efforts to obtain the highest possible value for the liquidation of its assets. To allow the Disbursing Agent and Debtor to perform that obligation, the Disbursing Agent and Debtor, as appropriate, shall have the power and authority to perform the following acts:

(a) sell and convert its assets to cash and distribute the net proceeds as specified in this Plan;

(b) manage and protect its assets;

(c) grant options to purchase, contract to sell, and sell the assets or any part or parts thereof for such purchase price and on such terms as it deems appropriate;

(d) exchange the assets or any part or parts thereof for other real or personal property;

(e) release, convey, or assign any right, title or interest in the assets;

(f) pay or discharge any costs, expenses, or obligations deemed necessary to preserve the assets or any part thereof;

(g) purchase insurance to protect from liability the persons undertaking the liquidation on behalf of Debtor;

(h) deposit funds and draw checks and make disbursements thereof;

(i) employ attorneys, accountants, brokers, auctioneers and other professionals and non-professionals as may be deemed necessary;

(j) borrow money on either an unsecured basis or by pledging as security all or a portion of the assets of the estate;

(k) take any action required or permitted by this Plan;

(l) engage in and carry on any business or undertaking necessary or desirable to conduct the liquidation of the assets;

(m) negotiate, renegotiate and enter into contracts and execute obligations binding on Debtor;

(n) vote shares of stock in person or by proxy;

(o) sue and be sued;

(p) settle, compromise, or adjust any disputes or controversies by or against Debtor;

(q) waive or release rights of any kind;

(r) appoint, remove and act through agents, managers, and employees and confer upon them such power and authority as may be necessary or advisable;

(s) deal with the assets or any part or parts thereof in all other ways that would be lawful for any person owning the same, whether similar or different from the ways specified above; and

(t) prosecute on behalf of Debtor all claims and causes of action that could be brought by a trustee or debtor-in-possession under the Bankruptcy Code, including actions to avoid preferential transfers and fraudulent transfers.

The Disbursing Agent shall invest liquidation proceeds that have not yet been distributed as it deems advisable, including by deposit in an interest bearing account.

In determining when to make distributions to creditors or shareholders under this Plan, the Disbursing Agent's discretion shall be limited only by the terms of this Plan. In interpreting the limitations described elsewhere in this Plan relating to liquidation proceeds available to be distributed, the Disbursing Agent shall be entitled to deduct and withhold an amount sufficient to allow the Disbursing Agent to discharge all obligations incurred by it or Debtor after confirmation of this Plan and to deduct and withhold such amounts as the Disbursing Agent reasonably anticipates will be required to complete the process of liquidation for which the Disbursing Agent does not anticipate later liquidation proceeds will be available to pay. The Disbursing Agent shall be entitled to receive compensation based on a reasonable hourly fee for services performed and to receive reimbursement for expenses incurred by it, which will be paid from the proceeds of liquidation prior to distribution to general unsecured creditors. The maximum compensation the Disbursing Agent may be paid shall be $15,000 unless an increase in that maximum limitation is approved by a Court Order after notice to the United States Trustee.

ARTICLE VII

Contested Claims

No payment shall be made under the Plan with respect to a contested claim until that claim becomes an allowed claim, by agreement of the parties to any claim dispute or by Final Order of the Court. As soon as practicable after the allowed claim is established by agreement or Final Order, Debtor shall pay to the holder of such allowed claim the amount provided in the Plan.

If a contested claim is contained within a class that is to receive a pro rata distribution, Debtor will determine each claimant's Pro Rata Share by treating the asserted amount of the contested claim as an allowed claim for purposes of calculating the total of all allowed claims in the class. When all contested claims in the class have been allowed or disallowed by a Final Order, Debtor will make any additional distribution required because of the disallowance of all or part of any contested claim or claims. Debtor may, at its option, choose to make interim distributions as contested claims are resolved.

ARTICLE VIII

Rejection and Assumption of Executory Contracts and Unexpired Leases

Any executory contracts and unexpired leases of Debtor that are not assumed prior to or at the time of confirmation of this Plan, are rejected as of the date the Court's Order confirming this Plan is entered.

ARTICLE IX

Settlement with Wasatch High Voltage

Pursuant to a settlement between Debtor and Wasatch High Voltage negotiated by the Committee and the Official Committee of Unsecured Creditors of Wasatch High Voltage, Wasatch High Voltage shall receive no payment on its administrative expense in Debtor's case and Debtor shall be allowed a general unsecured claim in the amount of $460,000.00 in the case of Wasatch High Voltage. Provided Debtor satisfies the allowed secured claim of Congress Financial Corporation in full, Debtor and Wasatch High Voltage release and waive all other claims or rights of action each may have had against the other, effective as of the Effective Date or the effective date of a confirmed plan containing a similar provision in the case of Wasatch High Voltage, whichever is later.

ARTICLE X

Continuing Jurisdiction

The Court shall retain jurisdiction until this Plan has been fully consummated for the following purposes: classification of the claims of creditors and allowance of the claims of creditors; allowance of claims for damages from the rejection of executory contracts or unexpired leases; determination of all questions and disputes regarding title to the assets of the estate and determination of all causes of action between Debtor and any other party, including but not limited to any right of Debtor to recover assets pursuant to the provisions of the Bankruptcy Code; correction of any defect, the curing of any omission or the reconciliation of any inconsistency in this Plan or the order of confirmation as may be necessary to carry out the purpose and intent of this Plan; interpretation and enforcement of the terms of this Plan; shortening or extending, for cause, of time fixed for doing any act or thing under this Plan; entry of any order, including any injunction, necessary to enforce the title, rights, and powers of Debtor; and entry of an order concluding and terminating this case. The Court may exercise its jurisdiction after notice and hearing or ex parte, as the Court determines to be appropriate.

ARTICLE XI

Amendment of Restated Bylaws

The first sentence of section 4.2 of Debtor's Restated Bylaws is amended by substitution of the following sentence therefor effective as of the date the Final Order confirming this Plan is entered: "The Board of Directors shall consist of not less than one (1) nor more than five (5) directors, the exact number of directors and the number of directors in each class, if any, to be determined from time to time solely by a resolution adopted by an affirmative vote of a majority of all the members of the Board of Directors." The second sentence of section 4.3 of Debtor's Restated bylaws is amended by substitution of the following sentence therefor effective as of the date the Final Order confirming this Plan is entered: "Provided that there are three or more directors, the directors shall be divided into three (3) classes, designated Class I, Class II, and Class III."

MONITERM CORPORATION

JUNE 10, 1992

By____________________
F.G. Hamilton as Vice President of
Sullivan Associates, Inc.
Its Chief Executive Officer

________________, 1992

____
James L. Baillie (3980)
Jon C. Nuckles (196848)
William E. Connors (201649)
FREDRIKSON & BYRON, P.A.
1100 International Centre
900 Second Avenue South
Minneapolis, Minnesota 55402

Attorneys for Debtor Moniterm Corporation

EXHIBIT 10.2

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In Re:

Wasatch High Voltage,

Debtor.

Bky.No. 4-91-7682
Chapter 11 Case

DEBTOR'S MODIFIED, AMENDED, LIQUIDATING PLAN OF REORGANIZATION

February 28, 1992

Debtor Wasatch High Voltage proposes the following plan of reorganization pursuant to Title 11 of the United States Code ("Bankruptcy Code").

ARTICLE I

DEFINITIONS

For purposes of this Modified Amended Plan of Reorganization ("Plan"), the following terms shall have the respective meanings set forth below. Any terms contained in this Plan that are not specifically defined shall have the meaning provided for in the Bankruptcy Code, unless the context otherwise requires.

"Effective Date" means thirty days after entry of an order confirming this Plan of Reorganization.

ARTICLE II

INTRODUCTION

The Debtor believes this Plan will result in the highest payment to creditors of the estate.

The Disclosure Statement accompanying this Plan describes some of the history of Debtor's operation, Debtor's performance during the Chapter 11 Case, and the factors leading to the filing of this Plan. It also describes in detail the terms of the Plan set forth below.

ARTICLE III

TREATMENT OF CERTAIN PRIORITY CLAIMS

Certain Allowed Claims which are not classified shall be treated as follows:

(a) Post-petition Claims incurred in the ordinary course of Debtor's business which are necessary to the operation of Debtor's business will be paid in full in cash on the Effective Date or as the parties may agree.

(b) Allowed Administrative Expense Claims specified in § 507(a)(1) of the Bankruptcy Code, except as otherwise classified herein, and including fees of professionals, shall be paid in full in cash on the Effective Date or as the parties may agree.

(c) Fees payable by the Debtor to the office of the United States Trustee under 28 U.S.C. § 1930, as determined by the Court at the hearing on the confirmation of this Plan, will be paid in full upon confirmation of the Plan.

(d) Pursuant to 11 U.S.C. §507(a) certain employee wages and benefits are entitled to priority and shall be paid in full on the effective date of the Plan.

IV. SETTLEMENT BETWEEN DEBTOR AND MONITERM CORPORATION

Moniterm Corporation ("Moniterm") has a claim in the amount of approximately $660,000 against Debtor. Debtor is a wholly-owned subsidiary of Moniterm. Moniterm's claim against Debtor is for loans made from Moniterm to Debtor prior to the date that Debtor filed its Chapter 11 petition. Of the $660,000 claim, Moniterm wrote off approximately $308,000 from its books on January 1, 1991.

Of the approximately $352,000 that remained on Moniterm's and Debtor's books, Moniterm loaned approximately $259,000 to Debtor during the time that Moniterm was receiving loans from Congress Financial Corporation. Debtor guaranteed Moniterm's repayment of the loan received from Congress Financial Corporation. Wasatch's guaranty was secured by security interests in virtually all of Debtor's property. Debtor received no loans from Congress Financial Corporation directly. Moniterm, however, asserts that Debtor received loans from Congress Financial Corporation indirectly through Moniterm. Consequently, Moniterm contends that because it paid in full the secured claim of Congress Financial Corporation, Moniterm is therefore entitled to assert that secured claim against Wasatch to the extent of $259,000 under the doctrine of equitable subrogation. To the extent Moniterm cannot assert the secured claim of Congress Financial Corporation, Moniterm asserts its claim should be treated as a general unsecured claim against Debtor.

Debtor has a claim against Moniterm in the amount of approximately $90,000 for products Debtor shipped to Moniterm post-petition. Debtor's claim would be entitled to priority treatment as an administrative expense in Moniterm's bankruptcy.

Counsel for Moniterm's Official Committee of Unsecured Creditors and Debtor's Official Committee of Unsecured Creditors have agreed to a settlement of Moniterm's and Debtor's claims against each other. Under the settlement, Moniterm will pay Debtor nothing for Debtor's administrative expense claim, Moniterm will pay in full the secured claim of Congress Financial Corporation, and Moniterm will waive any right it might have to assert the secured claim of Congress Financial Corporation against Debtor. In addition, Moniterm will be allowed a general unsecured claim in Debtor's case in the amount of $460,000. Debtor believes the settlement is in the best interest of its creditors, and the terms of the Plan are premised on this settlement.

ARTICLE V

DESIGNATION AND TREATMENT OF CLASSES

Class One - Secured Claim

Class One consists of the allowed secured claim of Congress Financial Corporation or Moniterm Corporation's right of subrogation to the secured claim of Congress Financial Corporation.

Treatment of Class One

Congress Financial Corporation's secured claim has been paid in full from the proceeds of the liquidation of Moniterm with the exception of certain minimal accrued but unbilled attorneys' fees and related expenses, certain minimal attorneys' fees and expenses which will accrue prior to confirmation, and certain contingent claims that may result from (a) the dishonoring of certain checks in respect of payment of accounts receivable, the proceeds of which were applied in reduction of Congress's allowed secured claim, and (b) certain tax liabilities, if any, which accrued prior to the date of the termination of Congress's financing relationship with Debtor for which Congress may be liable under applicable law. Wasatch and Moniterm believe that Congress in all likelihood will have no further claim against them other than for those attorneys' fees and related expenses identified in the preceding sentence. Congress ceased its lending relationship with Debtor as of April, 1992. Debtor does not envision a need to borrow any further amounts from Congress in the future. Congress, however, will retain its liens upon the assets of Debtor until all of the above-described attorneys' fees and expenses have been paid in full prior to or upon the Effective Date of the Plan and until all contingent claims with respect to dishonored receivable checks and/or tax liabilities have been resolved. Debtor believes that all such contingent claims will be resolved well before confirmation. No amount shall be paid by Debtor to holders of unsecured claims without consent by Congress or Court Order until any remaining claim in this class has been paid in full. As of the effective date of the Plan, Debtor will provide Congress with a general release in exchange for Congress's general release of Debtor and Congress's release of all of its liens and security interests.

Class Two - Priority Claims

Class Two consists of holders of claims specified in § 507(a)(7) of the Bankruptcy Code. These claims include certain priority wages and benefits and any priority tax claims.

Treatment of Class Two

Class Two claims will be paid in full on the Effective Date. Wasatch does not believe that there will be any priority tax claims.

Class Three - Unsecured Claims

Class Three consists of all holders of allowed, non-contingent unsecured claims against Debtor. Debtor estimates these claims total $624,885.01. This estimate does not include the claim of Moniterm for amounts loaned to Wasatch pre-petition. This claim could range from $0 to $650,000.00; however, under the settlement reached by the Unsecured Creditors' Committees of the Debtor and Moniterm, this amount will be $460,000. This settlement is described in Section IV herein.

Treatment of Class Three

Class Three Claims will be paid from the proceeds of liquidation of Debtor's assets after payment of post-petition claims, administrative expense claims, priority claims, fees and secured claims, as set forth above. Initial distribution will be made as soon as practicable after the Effective Date. All distributions will be on a Pro Rata Share. Pro Rata Share means, as to the holder of a claim, the amount determined by multiplying the total amount of the proposed payment under this Plan to a particular class by a fraction, the numerator of which is the allowed amount of the holder's claim and the denominator of which is the total allowed amount of all the claims in that class.

Class Four - Equity Interests

Class Four consists of the holder of Debtor's common stock, Moniterm Corporation.

Treatment of Class Four

The holder of Debtor's common stockholder will receive no distribution on account of Wasatch stock and all stock shall be canceled on the Effective Date of the Plan.

ARTICLE VI

CLASSES OF CLAIMS IMPAIRED UNDER PLAN

The following classes of claims or interests are impaired under this Plan: Two, Three and Four.

ARTICLE VII

GENERAL PROVISIONS

(a) Payments under this Plan will be made by check, mailed with first class postage prepaid, to the Claimant at the address listed on its Proof of Claim, or if no Proof of Claim has been filed by the date of the hearing on confirmation, to the address listed on Debtor's Schedules.

(b) The Debtor reserves the right to designate the application of any payment on a Claim under this Plan.

(c) Payments and other distributions under this Plan will be made as soon as practicable on or following the Effective Date of this Plan, as further described in Article VII of this Plan.

(d) In the event a payment is returned to the Debtor unclaimed, with no indication of claimant's forwarding address, the Debtor will hold such payment for a period of one month from the date of return. If not claimed by the claimant by the end of that period, the payment shall be distributed to creditors of its class or junior classes on a Pro Rata Share during the next distribution. If there are no further distributions, the payment shall be deposited with the Clerk of Bankruptcy Court for the District of Minnesota.

(e) Claims not timely filed will not participate in distributions under this Plan unless otherwise ordered by the Court.

(f) In the event this Plan is not confirmed under § 1129(a) of the Bankruptcy Code, Debtor requests that this Plan be confirmed under § 1129(b) of the Bankruptcy Code.

ARTICLE VIII

MEANS FOR EXECUTION OF PLAN

Debtor has sold all of its assets as described above and shall collect its accounts receivable prior to making a distribution under this plan.

The Debtor will also investigate, and if appropriate, pursue any claims the Debtor may have against third parties. The Debtor will also investigate and, if appropriate, pursue any claims pursuant to 11 U.S.C. § 101 et seq.

ARTICLE IX

CONTESTED CLAIMS

No payment shall be made under the Plan with respect to a contested claim until that claim becomes an allowed claim, by agreement of the parties to any claim dispute or by a final order of the Court. As soon as practicable after the allowed claim is established by agreement or final order, the Debtor shall pay the holder of such allowed claim the amount provided in the Plan.

If a contested claim is contained within a class that is to receive a pro rata distribution, Debtor will determine each claimant's Pro Rata Share by treating the asserted amount of the contested claim as an allowed claim for purposes of calculating the total of all allowed claims in the class. When all contested claims in the class have been allowed or disallowed by a final order, Debtor will make any additional distribution required because of the disallowance of all or part of any contested claim or claims. Debtor may choose to make interim distributions as contested claims are resolved.

ARTICLE X

REJECTION AND ASSUMPTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

All executory contract or unexpired leases of the Debtor are rejected.

ARTICLE XI

MODIFICATION OF THE PLAN

The Debtor may amend or modify this Plan in the manner provided for under 11 U.S.C. § 1127(a) or (b). The Debtor shall give notice of any proposed modification to Counsel for the Unsecured Creditors' Committee and to the United States Trustee and to any other parties designated by the Bankruptcy Court. The Debtor also reserves the right to make such modifications at any hearings on confirmation as are necessary to permit this Plan to be confirmed under 11 U.S.C. 1129(b).

ARTICLE XII

CONTINUING JURISDICTION

The Bankruptcy Court shall retain jurisdiction until this Plan has been fully consummated for the following purposes:

(a) To determine all controversies relating to or concerning the classification, allowance or satisfaction of claims or interests as well as objections thereto;

(b) To adjudicate any adversary proceeding pending before the Court;

(c) To determine any and all applications for compensation for professional and similar fees;

(d) To determine any and all applications, for the rejection or assumption and/or assignment, as the case may be, of executory contracts and unexpired leases to which the Debtor is a party or with respect to which the Debtor may be liable, and to determine and, if necessary, to liquidate, any and all Claims arising therefrom;

(e) To determine any and all applications, adversary proceedings, and contested or litigated matter property before the Court;

(f) To liquidate all disputed, contingent or unliquidated Claims;

(g) To modify the Plan pursuant to or to remedy any defect or omission or reconcile any inconsistencies in the Plan or Confirmation Order to the extent authorized by the Bankruptcy Code;

(h) To make such orders as are necessary or appropriate to carry out the provisions of the Plan;

(i) To approve all sales or order turnover of assets to the Debtor.

WASATCH HIGH VOLTAGE

By

Its C E O

Molly T. Shields
Attorney Reg. No. 178214
DOHERTY, RUMBLE & BUTLER, P.A.
2800 Minnesota World Trade Center
30 East Seventh Street
St. Paul, MN 55101
(612) 291-9333

Attorneys for Debtor Wasatch High Voltage

16TR

0

Q 35667

13

92 14 3177

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

LGL.2265

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended March 31, 1992

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________ to __________

Commission File Number 1-10709

PUBLIC STORAGE PROPERTIES XI, INC.
(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	95-4300881 (I.R.S. Employer Identification Number)
600 North Brand Blvd. Glendale, California (Address of principal executive offices)	91203-1241 (Zip Code)

Registrant's telephone number, including area code: (818) 244-8080

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of March 31, 1992:

2,030,112 shares of $.01 par value Series A Shares
184,453 shares of $.01 par value Series B Shares
522,618 shares of $.01 par value Series C Shares

PROCESSED BY
13-13-V
MAY 19 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

INDEX

PART I. FINANCIAL INFORMATION Page

Item 1. Condensed Balance Sheets at March 31, 1992 and December 31, 1991 2

Condensed Statements of Income for the Three Months Ended March 31, 1992 and 1991 3

Condensed Statement of Shareholders' Equity for the Three Months Ended March 31, 1992 4

Condensed Statements of Cash Flows for the Three Months Ended March 31, 1992 and 1991 5

Notes to Condensed Financial Statements 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 7-9

PART II. OTHER INFORMATION 10-11

PUBLIC STORAGE PROPERTIES XI, INC.
CONDENSED BALANCE SHEETS

	March 31, 1992 (UNAUDITED)	December 31, 1991
ASSETS		
Cash and cash equivalents	$ 732,000	$ 945,000
Rent and other receivables	151,000	229,000
Note receivable	657,000	707,000
Prepaid expenses	27,000	24,000
Real estate facilities:		
Buildings, land improvements and equipment	25,215,000	25,209,000
Land	12,118,000	12,118,000
	37,333,000	37,327,000
Less: accumulated depreciation	(7,053,000)	(6,796,000)
	30,280,000	30,531,000
Total assets	$31,847,000	$32,436,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 477,000	$ 586,000
Dividends payable	753,000	761,000
Advance payments from renters	234,000	210,000
Shareholders' equity:		
Series A common, $.01 par value, 2,828,929 shares authorized, 2,121,212 shares issued and 2,030,112 shares outstanding (2,051,312 shares outstanding in 1991)	20,000	21,000
Convertible Series B common, $.01 par value, 184,453 shares authorized, issued and outstanding	2,000	2,000
Convertible Series C common, $.01 par value, 522,618 shares authorized, issued and outstanding	5,000	5,000
Paid in capital	35,908,000	36,163,000
Cumulative net income	12,680,000	12,167,000
Cumulative distributions	(18,232,000)	(17,479,000)
Total shareholders' equity	30,383,000	30,879,000
Total liabilities and shareholders' equity	$31,847,000	$32,436,000

See Accompanying Notes to Condensed Financial Statements.

PUBLIC STORAGE PROPERTIES XI, INC.
CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended March 31,	
	1992	1991
REVENUE:		
Rental income	$1,416,000	$1,428,000
Interest income	13,000	32,000
	1,429,000	1,460,000
COSTS AND EXPENSES:		
Cost of operations	497,000	458,000
Management fees	82,000	81,000
Depreciation and amortization	260,000	270,000
Administrative	77,000	82,000
Reorganization costs	-	15,000
	916,000	906,000
ET INCOME	$ 513,000	$ 554,000
arnings per share:		
Primary - Series A	$0.22	$0.23
Fully diluted - Series A	$0.19	$0.20
ividend declared per share:		
Series A	$0.34	$0.34
Series B	$0.34	$0.34
Series C	$ -	$ -
eighted average common shares:		
Primary - Series A	2,034,545	2,121,212
Fully diluted - Series A	2,741,616	2,828,283

See Accompanying Notes to Condensed Financial Statements.

PUBLIC STORAGE PROPERTIES XI, INC.
CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY
MARCH 31, 1992
(UNAUDITED)

	Series A		Series B		Series C					
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in Capital	Cumulative net Income	Cumulative distributions	Total shareholders' equity
Balances at December 31, 1991	2,051,312	$21,000	184,453	$2,000	522,618	$5,000	$36,163,000	$12,167,000	($17,479,000)	$30,879,000
Net income	-	-	-	-	-	-	-	513,000	-	513,000
Repurchase of shares	(21,200)	(1,000)	-	-	-	-	(255,000)	-	-	(256,000)
Cash distributions declared:										
$0.34 per share - Series A	-	-	-	-	-	-	-	-	(690,000)	(690,000)
$0.34 per share - Series B	-	-	-	-	-	-	-	-	(63,000)	(63,000)
Balance at March 31, 1992	2,030,112	$20,000	184,453	$2,000	522,618	$5,000	$35,908,000	$12,680,000	($18,232,000)	$30,383,000

See Accompanying Notes to Condensed Financial Statements.

PUBLIC STORAGE PROPERTIES XI, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Cash flows from operating activities:		
Net income	$ 513,000	$ 554,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	260,000	270,000
Decrease in rent and other receivables	78,000	187,000
Increase in prepaid expenses	(6,000)	(2,000)
Decrease in accounts payable	(109,000)	(80,000)
Increase in advance payments from renters	24,000	33,000
Total adjustments	247,000	408,000
Net cash provided by operating activities	760,000	962,000
Cash flows from investing activities:		
Additions to real estate facilities	(6,000)	(15,000)
Net cash used in investing activities	(6,000)	(15,000)
Cash flows from financing activities:		
Distributions to shareholders	(761,000)	-
Payments received on note receivable	50,000	-
Purchase of Company common stock	(256,000)	-
Net cash used in financing activities	(967,000)	-
Net increase (decrease) in cash and cash equivalents	(213,000)	947,000
Cash and cash equivalents at the beginning of the period	945,000	1,184,000
Cash and cash equivalents at the end of the period	$ 732,000	$2,131,000

See Accompanying Notes to Condensed Financial Statements.

PUBLIC STORAGE PROPERTIES XI, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. The accompanying unaudited condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures contained herein are adequate to make the information presented not misleading. These unaudited condensed financial statements should be read in conjunction with the financial statements and related notes appearing in Registrant's Form 10-K for the year ended December 31, 1991.

2. In the opinion of management, the accompanying unaudited condensed financial statements reflect all adjustments, consisting of only normal accruals, necessary to present fairly Registrant's financial position at March 31, 1992 and December 31, 1991, the results of its operations for the three months ended March 31, 1992 and 1991 and its cash flows for the three months then ended.

3. The results of operations for the three months ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

PUBLIC STORAGE PROPERTIES XI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of certain significant factors occurring during the periods presented in the accompanying Condensed Financial Statements.

RESULTS OF OPERATIONS

The Company's net income for the three months ended March 31, 1992 and 1991 was $513,000 and $554,000, respectively, representing a decrease of $41,000 or 7%. The decrease is primarily due to a decrease in interest income combined with an increase in cost of operations, partially offset by decreases in depreciation and amortization, administrative costs and reorganization cost.

Rental income remained stable for the three month period ended March 31, 1992 versus the three month period ended March 31, 1991.

Cost of operations was $497,000 for the three month period ended March 31, 1992 versus $458,000 for the three month period ended March 31, 1991. This increase of $39,000 or 9% was primarily the result of increased payroll and property tax expense.

Administrative expense for the three month period ended March 31, 1992 decreased $5,000 over the same period in 1991 as a result of a decrease in administrative payroll expense.

During the three months ended March 31, 1991, the Company incurred costs in connection with the reorganization of the Registrant from a partnership to a corporation which occurred December 31, 1990.

The mini-warehouse facilities had weighted average occupancy levels of 88% and 89% at March 31, 1992 and 1991, respectively.

At March 31, 1992, the Registrant had 10% or more of its portfolio of properties in the following states:

	Number of Properties	Percentage of Portfolio at March 31, 1992 Based on Original Cost	1992 Annualized Yield Based on Original Cost	1991 Annualized Yield Based on Original Cost
California	4	33%	10.4%	9.8%
Texas	4	19	9.4	8.8
Arizona	3	18	5.2	9.7
Kansas	1	11	7.6	7.2
Other	4	19	12.1	12.7
	16	100%	9.2%	9.9%

The yield figures are determined by dividing the property level net operating income by the original acquisition and construction costs.

The Company experienced increased operating results at its California and Texas facilities during the three months ended March 31, 1992 compared to the same period in 1991. These improvements were due primarily to increased occupancy levels. These improvements were offset by declines in the Arizona and Nevada markets where the Company experienced declines in occupancies.

LIQUIDITY AND CAPITAL RESOURCES

Funds generated from operations ($760,000 in 1992) have been sufficient to meet all current obligations, other than the repurchase of Company stock, of the Company.

The Company currently has no debt obligations, other than trade payables incurred in the normal course of business. The Company expects to continue to fund capital expenditures and quarterly distributions out of operating cash flow.

The Company's Board of Directors have authorized the repurchase of up to 110,000 shares of its Series A shares on the open market. As of March 31, 1992, 91,100 had been repurchased at an average price of $11.52 per share. From April 1, 1992 to April 30, 1992 the Company repurchased no additional Series A shares.

The Company currently has no plans to finance its properties. However, should the Company decide to finance its properties, the degree of leverage will in large measure be a function of its ability to service the debt after considering its operating expenses and capital expenditures.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On January 28, 1992 the parties entered into a settlement on the *Edelman* litigation involving the reorganization of the predecessor partnership into the Company and reorganizations of other affiliated limited partnerships (*Edelman, et al. v. PSI Associates II, Inc., et al.*). The proposed settlement is conditioned on court approval. The litigation is described in Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 1991 and the terms of the settlement agreement are described in the Company's Form 8-K (dated January 28, 1992) filed on January 30, 1992, which Form 8-K is incorporated herein by this reference.

ITEMS 2 through 5 are inapplicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

A) Exhibits
None

B) REPORTS ON 8-K

A Form 8-K dated January 28, 1992 was filed on January 30, 1992, which reported the litigation settlement referred to in Item 1 above.

PART II. OTHER INFORMATION

ITEMS 1 through 6 are inapplicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATED: May 13, 1992

PUBLIC STORAGE PROPERTIES XI, INC.

BY: Ronald L Havner

Ronald L. Havner, Jr.
Vice President/Controller

0 8219
Q 351602

92 14 1650

10

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

RECEIVED
MAY 12 1992
140

MG2.22605

FORM 10-Q

PROCESSED BY
MAY 18 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR OF THE SECURITIES EXCHANGE ACT OF 1937
For the transition period from to

For the Quarterly Period Ended:
March 31, 1992

Commission file number:
0-3282

RADIATION SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State of incorporation)

136

54-0680183
(I.R.S. employer identification no.)

1501 Moran Road
Sterling, Virginia
(Address of principal executive offices)

22170
(Zip Code)

Registrant's telephone number, including area code (703) 450-5680

Indicate by check ✓ whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days: Yes X No ___.

8,350,937 shares of Common Stock were outstanding as of March 31, 1992.

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheet

(In thousands, except share amounts)	March 31, 1992 (Unaudited)	June 30, 1991 Note
Assets		
Current assets		
Cash and equivalents	$ 6,853	$ 12,204
Short-term investments, including funds reserved for bond retirement of $1,422 at March 31, 1992, and $777 at June 30, 1991	4,141	3,179
Accounts receivable	18,245	20,693
Unbilled costs and accrued profits, less customer progress payments of $43,605 at March 31, 1992, and $30,494 at June 30, 1991	34,215	26,878
Inventories:		
Work-in-progress and finished goods	7,874	6,731
Raw materials	6,807	5,666
Other current assets	624	693
	78,759	76,044
Goodwill and other assets	6,117	2,399
Property, plant and equipment, at cost	39,309	33,687
Less accumulated depreciation	(15,066)	(12,657)
	24,243	21,030
TOTAL ASSETS	$ 109,119	$ 99,473

Condensed Consolidated Balance Sheet (cont.)

(In thousands, except share amounts)	March 31, 1992 (Unaudited)	June 30, 1991 Note
Liabilities and Stockholders' Equity		
Current liabilities		
Note payable to bank	$ 3,000	$
Current portion of long-term debt	1,499	1,744
Current portion of guaranteed ESOP debt	720	698
Accounts payable	9,346	11,406
Income taxes payable	204	753
Deferred income taxes	2,853	2,853
Other current liabilities	6,418	5,478
	24,040	22,932
Long-term debt, less current portion	3,923	2,808
Other non-current liabilities	1,582	2,165
Deferred income taxes	1,597	1,597
Guaranteed ESOP debt, less current portion	3,161	3,701
	34,303	33,203
Stockholders' Equity		
Common stock - $1 par value; 25,000,000 shares authorized; 8,742,369 shares issued at March 31, 1992, and 5,790,369 at June 30, 1991	8,742	5,790
Other paid-in capital	20,951	23,551
Retained earnings	50,870	43,522
Foreign currency translation adjustment	328	
Treasury stock, 391,432 shares at cost	(2,194)	(2,194)
Debt guarantee for ESOP	(3,881)	(4,399)
	74,816	66,270
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 109,119	$ 99,473

Note: The consolidated balance sheet at June 30, 1991, has been taken from the audited consolidated financial statements at that date, and condensed.

Consolidated Statements of Earnings (Unaudited)

	Three Months Ended March 31		Nine Months Ended March 31	
	1992	1991	1992	1991
Revenues				
Sales	$ 31,799	$ 26,716	$ 96,980	$ 79,591
Investment income	100	119	343	263
	31,899	26,835	97,323	79,854
Costs and expenses				
Costs of sales, including general and administrative expenses	27,688	23,448	84,876	70,011
Interest expense	104	92	208	383
	27,792	23,540	85,084	70,394
Earnings before income taxes	4,107	3,295	12,239	9,460
Provision for income taxes	1,518	1,238	4,613	3,587
Net earnings	$ 2,589	$ 2,057	$ 7,626	$ 5,873
Earnings per share *	$ .31	$ .25	$ .91	$ .71

---

* Adjusted for 3-for-2 stock split effective November 22, 1991.

Condensed Consolidated Statements of Cash Flow (Unaudited)

(In thousands)	Nine Months Ended March 31	
	1992	1991
Cash Flows from Operating Activities	$ 3,072	$ 15,660
Cash Flows from Investing Activities		
Purchase of CSA and PGT, net of cash acquired	(8,733)	
Capital expenditures	(2,973)	(2,048)
Purchase of short-term investments	(962)	69
	(12,668)	(1,979)
Cash Flows from Financing Activities		
Proceeds from bank note payable	3,000	
Proceeds from industrial revenue bond	2,506	
Debt retirement	(1,636)	(7,136)
Proceeds from stock option exercises	352	308
Dividends paid	(278)	(274)
Purchase of treasury stock		(283)
Sale of treasury stock to ESOP		93
	3,944	(7,292)
Foreign Currency Translation Adjustments	301	
Net (Decrease) Increase in Cash and Equivalents	$ (5,351)	$ 6,389

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Condensed Consolidated Financial Statements

The condensed consolidated balance sheet as of March 31, 1992, the consolidated statements of earnings for the three and nine-month periods ended March 31, 1992 and 1991, and the condensed consolidated statements of cash flows for the nine-month periods then ended have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flow at March 31, 1992, and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's 1991 Annual Report to Stockholders. The results of operations for the periods ended March 31, 1992, are not necessarily indicative of the operating results for the full year.

2. U.K. Acquisition

As previously reported in its 1991 Form 10-K, the Company acquired CSA, Ltd. (CSA), and PG Technology, Ltd. (PGT), from Industrial Partners (Holdings) Limited in the United Kingdom on August 1, 1991, for $9.28 million in cash. The acquisition price increased by $.6 million on December 31, 1991, for a final payment based on earnings of the acquired companies for the nine-month period ended June 30 1991.

The acquisition is accounted for as a purchase and, accordingly, the results of operations of the acquired companies are included in the Company's consolidated financial statements for the three and nine-month periods ended March 31, 1992. The excess of the purchase cost over the fair value of net assets acquired (goodwill) of £1.6 million (or $2.8 million using the exchange rate at March 31, 1992) is being amortized on a straight-line basis over 20 years.

The Company translates the assets and liabilities of its U.K. subsidiaries at the exchange rate in effect at the end of the reporting period. Revenues and expenses are translated using the average exchange rate for the applicable period. The cumulative effect of foreign currency translations is included as a separate component of stockholders' equity in the consolidated balance sheet.

3. Common Stock

On October 22, 1991, the Board of Directors declared a 3 for 2 stock split to be effected in the form of a 50% stock dividend on the Company's common stock, payable November 22, 1991, to shareholders of record on November 6, 1991. The par value of the common stock remained at $1 per share. The par value of the new shares issued totals $2,914,000 and this amount was transferred from other paid-in capital to the common stock account in the three-month period ended December 31, 1991. All earnings per share data has been restated to reflect the stock split.

The summary below shows the change in outstanding common shares that occurred effective November 22, 1991:

	Before Stock Split	After Stock Split	Change
Common shares issued	5,828,369	8,742,369	2,914,000
Less: Treasury shares	(260,955)	(391,432)	(130,477)
Oustanding common shares	5,567,414	8,350,937	2,783,523

At the Annual Meeting of Stockholders held on November 16, 1991, the stockholders approved a resolution which increased the authorized common stock of the Company from 10 million to 25 million shares.

4. Claims

Before a defense contractor enters into a negotiated contract with the Government, regulations require the contractor to make available its historical costs, if any, and its projected costs of performing the contract. The negotiated contract price is intended by the Government to allow for a reasonable profit. If there are certain deficiencies in the information provided to the Government at the time of negotiation, the Government could be entitled to an appropriate recovery. Competitive procurements are not subject to this provision. As a Government defense contractor, the Company's negotiated contracts are subject to periodic audits and, with respect to two contracts, the Government has requested that the Company remit approximately $632,000 of the $8,945,000 value of the negotiated contracts. The Company does not believe that the Government's requests have merit and has challenged the propriety of the requests.

The Company is involved in various other litigation through the normal course of business which management believes will have no material impact on the consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations

Sales -- Sales for the third quarter and first nine months of the fiscal year ending June 30, 1992, increased by 19% and 22%, respectively, as compared with the comparable periods in the preceding fiscal year. These increases primarily reflect sales under various long-term contracts for weather and air defense radars, design and construction of a 100-meter radiotelescope, sales of mid-sized satellite communications systems, and sales from the newly acquired U.K. companies, which together offset a decline in sales of small aperture antennas.

Earnings Before Income Taxes -- Earnings before income taxes for the third quarter and first nine months of the fiscal year increased by 25% and 29%, respectively, as compared with the comparable periods in the previous fiscal year. These increases are due primarily to the increased sales discussed above and to an improvement in operating profit margins.

Taxes and Net Earnings -- Net earnings as a percent of sales for the third quarter and first nine months of the fiscal year were 8.1% and 7.9%, as compared with 7.7% and 7.4% for the same periods in the preceding fiscal year. The effective tax rate for the third quarter and first nine months of the fiscal year were 37% and 37.7% as compared with 37.6% and 37.9% for the same periods in the preceding fiscal year. The decrease in the effective tax rate for the third quarter is primarily due to the mix of state taxable income.

Earnings Per Share -- Earnings per share for the third quarter and first nine months of the fiscal year increased by $.06 and $.20 over the comparative periods in the preceding fiscal year due to the higher net earnings ($.06 and $.22), offset by the effect of higher average outstanding shares (0.00 and -.02).

Cash Flow, Liquidity, and Capital Resources

The Company continues to maintain a good liquidity position. At March 31, 1992, the Company's cash and short-term investment balances were $11.0 million (including $1.4 million reserved for a bond retirement) and working capital totaled $54.7 million (current ratio of 3.3:1). The Company is not aware of any demands or commitments that are likely to have an adverse effect on the Company's liquidity position, and the Company believes that internally generated funds and other available funding sources are adequate to meet the Company's requirements.

ITEM 5. OTHER INFORMATION

None.

PART II

OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit No. 11: Computation of Earnings Per Common and Common Equivalent Share.

(b) There were no events requiring a report on Form 8-K during the three months ended March 31, 1992

Exhibit No. 11
Computations of Earnings Per Common and
Common Equivalent Share *

	Three Months Ended March 31		Nine Months Ended March 31	
	1992	1991	1992	1991
Average shares outstanding during period	8,351,000	8,219,000	8,343,000	8,231,000
Unexercised stock option equivalent shares computed by the "Treasury Stock Method"	40,000	33,000	25,000	10,000
	8,391,000	8,252,000	8,368,000	8,241,000
Net Earnings	$2,589,000	$2,057,000	$7,626,000	$5,873,000
Earnings per common and common equivalent share	$ .31	$ .25	$ .91	$ .71

---

* Adjusted for 3-for-2 stock split effective November 22, 1991.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Radiation Systems, Inc.
(Registrant)

Date: May 11, 1992

Richard E. Thomas
Chief Executive Officer
and President

Mark D. Funston
Chief Financial Officer

92 13 9725

O 30746
Q 806053

13

NG2'2365

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

RECD S.E.C.
MAY 14 1992
137

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number: 0-18921

RINGER CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota	41-0848688
(State of incorporation or organization)	(I.R.S. Employer Identification No.)
9959 Valley View Road, Eden Prairie, Minnesota	55344-3585
(Address of principal executive offices)	(Zip Code)

(612) 941-4180
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

The number of shares outstanding of each of the registrant's classes of capital stock, as of April 30, 1992, was:

Common Stock, $.01 par value 10,374,728 shares

This document consists of 13 pages. 13/13 P

130

PROCESSED BY
MAY 15 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

BEST COPY
AVAILABLE

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

RINGER CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 1992	September 30, 1991
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 59,391	$ 1,846,031
Accounts receivable	9,801,239	2,523,203
Inventories	4,816,329	3,153,280
Prepaid assets	451,334	497,431
Total current assets	15,128,293	8,019,945
Property and equipment (net)	1,061,818	931,558
Intangible assets (net)	6,143,357	6,438,565
Total assets	$ 22,333,468	$ 15,390,068
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable to bank	$ 6,339,000	
Accounts payable	2,448,285	$ 1,842,205
Accrued expenses	2,468,680	1,890,252
Accrued acquisition costs	255,458	800,763
Total current liabilities	11,511,423	4,533,220
Capitalized lease obligations	131,928	158,247
Shareholders' Equity:		
Common Stock, par value $.01 per share, authorized, 25,000,000 shares, issued and outstanding 8,476,728 and 8,568,280 shares, respectively	84,767	85,683
Additional paid-in capital	22,785,583	23,006,208
Deficit	(12,153,769)	(12,408,416)
Cumulative translation adjustment	(26,464)	15,126
Total shareholders' equity	10,690,117	10,698,601
Total liabilities and shareholders' equity	$ 22,333,468	$ 15,390,068

See notes to consolidated financial statements.

RINGER CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
NET SALES	$ 10,096,037	$ 8,168,580	$ 13,103,906	$ 9,496,119
COST OF SALES	3,965,911	3,558,721	5,484,634	4,259,392
Gross Profit	6,130,126	4,609,859	7,619,272	5,236,727
OPERATING EXPENSES:				
Sales & Marketing	3,223,773	3,068,160	4,878,576	4,447,986
General & Administration	747,324	586,695	1,405,021	902,910
Research & Development	653,264	259,905	1,000,089	452,604
Cost of Product Recall	–	1,448,000	–	1,448,000
	4,624,361	5,362,760	7,283,686	7,251,500
INCOME (LOSS) BEFORE OTHER INCOME (EXPENSE)	1,505,765	(752,901)	335,586	(2,014,773)
OTHER INCOME (EXPENSE) NET	(68,113)	(21,501)	(80,939)	34,859
PROFIT (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	1,437,652	(774,402)	254,647	(1,979,914)
INCOME TAX EXPENSE	(72,000)	–	(72,000)	–
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEM	1,365,652	(774,402)	182,647	(1,979,914)
EXTRAORDINARY ITEM:				
Tax benefit of net operating loss carryforward	72,000	–	72,000	–
NET INCOME (LOSS)	$ 1,437,652	$ (774,402)	$ 254,647	$ (1,979,914)
Earnings (loss) per common and common equivalent share:				
Profit (loss) before extraordinary item	$ .15	$ (.11)	$ .02	$ (.32)
Extraordinary item	.01	–	.01	–
Net income (loss)	$ .16	$ (.11)	$ .03	$ (.32)
Weighted average common and common equivalent shares outstanding	8,752,653	6,766,000	8,793,131	6,197,000

See notes to consolidated financial statements.

RINGER CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 254,647	$ (1,979,914)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	460,628	258,989
Noncash compensation expense	10,000	
(Gain) on sale of equipment	(2,593)	
(Increase) decrease in assets:		
Trade accounts and notes receivable	(7,278,036)	(3,822,178)
Inventories	(1,663,049)	(121,938)
Prepaid expenses	46,097	(262,879)
Increase (decrease) in liabilities:		
Accounts payable	606,080	65,639
Accrued expenses	572,018	1,493,430
Net cash used in operating activities	(6,994,208)	(4,368,851)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(333,040)	(13,272)
Proceeds from sale of equipment	3,183	
Purchase of intangible assets	(33,477)	(52,897)
Acquisition of Safer, Inc. net of cash acquired	(670,306)	(1,978,403)
Net cash used in investing activities	(1,033,640)	(2,044,572)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of Common stock		685,743
Payments for common and preferred stock issuance costs	-	(38,543)
Net borrowings from bank line of credit	6,339,000	950,000
Principal payments on capital lease obligations	(56,202)	(34,341)
Net cash provided by financing activities	6,282,798	1,562,859
EFFECT OF CURRENCY CHANGE ON CASH	(41,590)	664
Decrease in cash and cash equivalents	(1,786,640)	(4,849,900)
CASH AND CASH EQUIVALENTS:		
BEGINNING OF PERIOD	1,846,031	4,937,762
END OF PERIOD	$ 59,391	$ 87,862

See notes to consolidated financial statements.

RINGER CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information in footnotes required by generally accepted accounting principles for complete financial statements. They should be read in conjunction with the annual consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 1991. In the opinion of management, the interim financial statements include all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results for the interim periods presented. Operating results for the three months and six months ended March 31, 1992 are not necessarily indicative of the operating results for the year ending September 30, 1992.

Note 2. Sales of the Company's products are generally greater in the second and third fiscal quarters due to seasonal factors.

Note 3. All comparative data reflect application of consistent accounting principles and contain no prior period adjustments.

Note 4. Inventory consists of the following:

	March 31, 1992	September 30, 1991
Raw Materials	$ 2,827,616	$ 1,563,636
Finished Goods	1,988,713	1,589,644
	$ 4,816,329	$ 3,153,280

Note 5. Supplemental disclosure of cash flow information.

Cash paid (received) for interest during the period for:

	Six Months Ended March 31,	
	1992	1991
Interest paid	$ 88,051	$ 16,005
Interest received	(13,119)	(111,526)

Noncash transaction:

a. Decrease of $231,541 in paid-in capital and goodwill associated with the acquisition of Safer, Inc. in fiscal 1991 upon the return from escrow to the Company of 93,552 shares of the Company's common stock upon settlement of the Company's escrow claims.

b. Increase of $125,000 in accrued acquisition costs and goodwill associated with the acquisition of Safer, Inc. in fiscal 1991 related to a change in the estimated expenses resulting from the acquisition.

c. Increase of $10,000 in paid-in capital and operating expense for shares of common stock issued to a director as compensation for services as a member of the Company's Board of Directors.

Note 6. **Subsequent events.**

On April 1, 1992, The Scotts Company ("Scotts") filed a complaint in United States District Court for the Southern District of New York alleging that one of the Company's television advertisements is deceptive and misleading under applicable law. Scotts seeks a permanent injunction against use of the particular advertisement and similar claims in future advertisements, and asserts unspecified actual damages of not less than 1 million dollars and punitive damages of not less than 1 million dollars. The company does not believe that this action, the entry of an injunction or the settlement of the action will have a material adverse effect on its operations.

On May 1, 1992, the Company closed on a public offering of 1,900,000 shares of its common stock for net proceeds of $7,994,250. The Company immediately used $6,939,000 of the proceeds to retire the outstanding balance on the Company's line of credit on that date.

Item 2.

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following table sets forth, for the periods indicated, information derived from the consolidated statements of operations of the Company as a percentage of net sales:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	1992	1991	1992	1991
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	39.3	43.6	42.0	44.9
Gross profit	60.7	56.4	58.0	55.1
Operating Expenses:				
Sales & Marketing	31.9	37.5	37.2	46.8
General & Administrative	7.4	7.2	10.7	9.5
Research & Development	6.5	3.2	7.6	4.8
Cost of Product Recall	-.-	17.7	-.-	15.2
	45.8	65.6	55.5	76.3
Income (loss) before other income (expense)	14.9	(9.2)	2.5	(21.2)
Other Income (Expense)	(.7)	(.3)	(.6)	.4
Net income (loss) before taxes and extraordinary item	14.2%	(9.5)%	1.9%	(20.8)%

The following table sets forth the percentage of net sales represented by each of the company's major product categories:

	Three Months Ended March 31,		Six Months Ended March 31, 1991	
	1992	1991	1992	1991
Fertilizer	42.4%	44.7%	41.6%	44.7%
Pest control	47.0	33.8	47.0	31.3
Composting	9.0	18.1	9.6	18.5
Third-party products	1.6	3.4	1.8	5.5
	100.0%	100.0%	100.0%	100.0%

General

Seasonal factors affecting operations

The Company's business is very seasonal which causes operations to vary dramatically from quarter to quarter. (See "Quarterly results of operations".) The first quarter of each fiscal year is focused heavily toward order solicitation, production planning and inventory building activities in anticipation of the Company's peak selling season. Inventory balances increase substantially during this period. Normal seasonal buildup of raw material inventory begins in August and September. Heavy finished goods production usually begins in October and continues into the second quarter. Typically the Company experiences the highest inventory balances near the end of January and its lowest balances near the end of June.

Sales during the first quarter are at a seasonal low because the Lawn and Garden industry is between the Fall and Spring selling seasons. Sales that do occur during this period contain an abnormally high mix of certain products, such as pest control products, that are usable during the winter months. First quarter expenses, especially sales and marketing costs, are proportionately higher as a percentage of sales than in other quarters. This is due to seasonally reduced sales and increased marketing and promotional expenditures which are incurred in preparation for the spring selling season. As a result of normal seasonally low sales and high expenditures during this period, the Company anticipates that it will incur a loss during the first quarter of each fiscal year.

Historically, the second and third fiscal quarters have accounted for approximately 75% to 80% of yearly sales. Most of these sales occur during the peak selling period of February through April. Second quarter sales reflect shipments of initial orders to distributors and mass merchandisers. Early order shipments during this period are normally given extended dating terms common to the industry. This contributes to a rapid increase in accounts receivable during the second quarter which is substantially reduced during the third quarter when these dated receivables come due. The majority of third quarter sales result from Spring and early Summer restocking orders. Most of the Company's advertising and promotion expenses are also incurred in the second and third quarters.

Fourth quarter sales are primarily attributed to Fall orders of fertilizer and composting products. Many of the sales during this period are also shipped under extended dating terms common to the industry though the amounts are much smaller than those experienced during the second quarter. The fourth quarter also reflects certain marketing expenses incurred in preparation for the upcoming fiscal year's Spring selling season.

Acquisition of Safer, Inc.

The Company acquired all of the outstanding capital stock of Safer, Inc. ("Safer"), a manufacturer and marketer of environmentally compatible pest control products, on January 31, 1991. The purchase price of $9,824,000 included $1,001,000 cash, 2,725,780 shares of the Company's Common Stock valued at $6,746,306 and $2,076,000 of transaction costs such as employee severance payments, lease terminations and contractual obligations. The acquisition was accounted for as a purchase and the operations of Safer, Inc. are included in the consolidated results of operations of the Company commencing February 1, 1991. See Note 2 to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1991.

Prior to the Safer, Inc. acquisition, the Company sold a line of pest control products under the Attack® brand name. The Company's pest control products were combined under the Safer® brand name for fiscal 1992.

Dependence on commodity raw materials

The Company is dependent on certain raw material ingredients which are traded in agricultural and industrial markets, such as feather, bone and blood meal. Although market fluctuations could adversely affect prices paid for these ingredients and, consequently, the company's gross margin, the company has been largely successful in acquiring supplies of such materials at favorable prices or responding to material price increases with product price increases. There is no assurance that the Company will be able to consistently achieve such results in the future.

Results of Operations

Three months ended March 31, 1992 compared to the three months ended March 31, 1991.

Net Sales. Net sales increased by 23.6% to $10,096,037 in the second quarter of fiscal 1992 compared to $8,168,580 in the same period of fiscal 1991. Much of this increase resulted from the inclusion of sales from Safer, Inc. for the full second quarter of fiscal 1992 compared to only two of the three months in the second quarter of fiscal 1991. (See "Acquisition of Safer, Inc.") Pest control sales for the second quarter of fiscal 1992 totalled approximately $4,700,000 compared to second quarter fiscal 1991 sales of approximately $2,757,000.

The remaining increases in sales for the three month period ended March 31, 1992 compared to sales for the same period ended March 31, 1991 resulted from increased sales of fertilizer products, increased distribution channels and an average 3% increase in selling prices which is spread across all of the Company's product lines.

Gross Margins. Gross margins improved in fiscal 1992 to 60.7% in the second quarter from fiscal 1991 gross margins of 56.4% for the same period. The increase in gross margins primarily reflects the benefit of cost reductions realized on pesticide raw materials and production and on the Company's ability to spread fixed costs of distribution and production across a larger sales base.

Operating Expenses. Operating expenses for the three months ended March 31, 1992 decreased by $738,399 or (13.8)% to $4,624,361 from $5,362,760 for the same period ended March 31, 1991. Operating expenses in the second quarter of fiscal 1991 included $1,448,000 for costs associated with a voluntary product recall. Excluding the impact of product recall expenses, all other components of operating expenses increased in the second quarter of fiscal 1992. The increase in each of the components of operating expenses reflects primarily costs of supporting the expanded operations of the company, including the pest control product line acquired with Safer, Inc. in January 1991. Sales and marketing expense increased 5.1% in the second quarter of fiscal 1992 compared to the same period of fiscal 1991, but decreased as a percentage of sales to 31.9% in the second quarter of fiscal 1992 from 37.6% in the same period of fiscal 1991. General and administrative expenses increased only slightly as a percentage of sales. Research and development expenses increased by 151.3% in the second quarter of fiscal 1992 compared to the same period in fiscal 1991. This increase is largely due to expanded product development activity and increased product registration costs of the expanded pest control line.

Other Income and Expense. Net other expense increased substantially in the second quarter of fiscal 1992 compared to the same period of fiscal 1991. These changes are due to reduced interest income and additional interest expense resulting from increased seasonal borrowings on the Company's line of credit.

Net Income (Loss). The Company generated a net income of $1,437,652 for the second quarter of fiscal 1992 compared to a net loss of $752,901 for the same period of fiscal 1991. The fiscal 1991 results were negatively impacted by a charge to operations of $1,448,000 for costs associated with the product recall mentioned above. Other factors contributing to improved performance during fiscal 1992 periods were increased sales, improved gross margins and lower operating expenses as a percentage of sales.

Six months ended March 31, 1992 compared to the six months ended March 31, 1991

Net Sales. Sales increased 38% for the six month period ending March 31, 1992 to $13,103,906 compared to $9,496,119 in the same period ending March 31, 1991. Much of this increase was caused by the inclusion of Safer sales for the full period in fiscal 1992 compared to sales for only two months from Safer, Inc. during the first six months fiscal 1991. (See "Acquisition of Safer, Inc."). Pest control product sales totalled approximately $6,200,000 for the six months ended March 31, 1992 compared to sales of approximately $3,000,000 for the same period of fiscal 1991.

The remaining increases in sales for the six month periods ended March 31, 1992 compared to sales for the same period ended March 31, 1991 results from increased sales volumes of fertilizer products and an average 3% increase in selling prices which is spread across all of the company's product lines.

Gross Margins. Gross margins for the six months ended March 31, 1992 improved to 58% compared to 55.1% for the six month period ended March 31, 1991. The increase in gross margins primarily reflects cost reductions on certain pesticide raw materials and production and on the Company's ability to spread fixed costs of distribution and production across a larger sales base.

Operating Expenses. Operating expenses for the six months ended March 31, 1992 increased slightly in absolute terms but decreased as a percentage of sales from 76.3% in fiscal 1991 to 55.6% in fiscal 1992. Operating expenses in fiscal 1991 included $1,448,000 for costs associated with a voluntary product recall. Excluding the effect of product recall expenses, all other components of operating expenses increased in fiscal 1992. The increase in each of the components of operating expenses reflects primarily costs of supporting the expanded operations of the company, including the pest control product line acquired with Safer, Inc. (See "General - Acquisition of Safer, Inc.") Sales and marketing expense increased 9.7% during the six month period ended March 31, 1992 compared to the same period ended March 31, 1991, but decreased as a percentage of sales to 37.2% in fiscal 1992 from 46.8% in fiscal 1991. Although the Company increased its sales and marketing budget with the general expansion of business, it was able to achieve greater revenues without duplicating sales and marketing expense. General and administrative expenses increased slightly as a percentage of sales primarily due to amortization of goodwill associated with the Safer acquisition. Research and development expenses increased by 121% in fiscal 1992 compared to the same period in fiscal 1991. This increase is largely due to expanded product development activity and increased product registration costs associated with the expanded product line.

Other Income and Expense. Net other income (expense) declined from net other income to net other expense for the six month period ending March 31, 1992 compared to the same period in fiscal 1991. These changes are due to reduced interest income and additional interest expense resulting from increased borrowings on the Company's line of credit.

Net Income(Loss). The Company generated a net income of $255,000 for the six months ended March 31, 1992 is compared to a net loss of $1,980,000 for the six months ended March 31, 1991. The fiscal 1991 results were negatively impacted by a charge to operations of $1,448,000 for costs associated to a product recall. Other factors contributing to improved performance during fiscal 1992 periods were increased sales, improved gross margins and lower operating expenses as a percentage of sales.

Quarterly Results of Operations

The following table sets forth a summary of quarterly results for the past nine fiscal quarters in order to show the highly seasonal pattern of the Company's business and quarterly fluctuations in sales and earnings or losses. This information is unaudited but contains all adjustments, consisting of normal recurring accruals, which the Company believes are necessary for a fair presentation.

	Fiscal 1991				Fiscal 1992	
	Three Months Ended				Three Months Ended	
	Dec 31	Mar 31 (1)	June 30	Sept 30	Dec 31	Mar 31
Net sales	$ 1,328	$ 8,169	$ 8,988	$ 2,722	$ 3,008	$ 10,096
Gross profit	627	4,610	4,868	857	1,489	6,130
Operating expenses	1,889	5,363	5,274	3,323	2,659	4,624
Net income (loss)	$ (1,206)	$ (774)	$ (449)	$ (2,346)	$ (1,183)	$ 1,438

---

(1) Reflects the consolidation of the financial statements of Safer, Inc. from February 1, 1991. See Note 2 to Notes of Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1991.

Liquidity and Capital Resources

Cash decreased by approximately $1.7 million during the six months ended March 31, 1992. The Company's cash requirements during this period were funded by liquidating cash investments and borrowing under the Company's seasonal line of credit. Cash was used largely to finance seasonal increases in inventories and accounts receivable. In addition, the Company purchased computer equipment and software to upgrade its information systems, office equipment, leasehold improvements, and motor vehicles totalling approximately $333,000. Also, approximately $670,000 was used to pay accrued acquisition expenses related to the fiscal 1991 acquisition of Safer, Inc.

The Company currently has available a bank line of credit of $9,000,000 to finance seasonal buildup of inventory and receivables. At March 31, 1992, the Company had outstanding borrowings under the line of credit of $6,339,000. The line of credit expires on July 31, 1992. Management believes a renewed line of credit can be obtained on terms that are reasonable and acceptable to the Company.

On May 1, 1992, the Company closed on a public offering of 1,900,000 shares of its common stock for net proceeds of $7,994,250. The Company immediately used $6,939,000 of the proceeds to retire the outstanding balance on the Company's line of credit on that date.

The Company does not believe that inflation has had a significant impact on the results of operations.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On April 1, 1992, The Scotts Company ("Scotts") filed a complaint in United States District Court for the Southern District of New York alleging that one of the Company's television advertisements is deceptive and misleading under applicable law. Scotts seeks a permanent injunction against use of the particular advertisement and similar claims in future advertisements, and asserts unspecified actual damages of not less than 1 million dollars and punitive damages of not less than 1 million dollars. The Company does not believe that its advertisement is misleading and is prepared to support the factual claims therein, but the Company may agree to withdraw this particular advertisement and to limit certain claims in future advertisements to avoid the costs of litigation. At a hearing to consider a preliminary injunction against further broadcast of the advertisement, the court strongly encouraged the parties to enter into a settlement of this action. The Company does not believe that this action, the entry of an injunction or the settlement of the action will have a material adverse effect on its operations.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of shareholders of Ringer Corporation was held at 10:00 a.m. on Wednesday, February 19, 1992. Matters submitted at the meeting for vote by the shareholders were as follows:

a. Election of Directors.

The following nominees were elected to serve as members of the Board of Directors until such time as a replacement may be elected.

	FOR	WITHHELD
Udo E. Schulz	7,087,275	7,895
Gordon F. Stofer	7,087,375	7,795
Ernest C. Parizeau	7,087,275	7,895
Robert W. Fischer	7,086,265	8,905
Donald E. Lovness	7,087,333	7,837
Franklin Pass	7,087,365	7,805
John R. Hesse	6,756,088	339,082

b. Ratification of selection of independent auditors.

Shareholders ratified the selection of Deloitte & Touche as the Company's independent auditors for the fiscal year ending September 30, 1992 by a vote of 7,077,497 in favor, 12,339 against and 5,334 abstaining.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

None.

(b) Reports on Form 8-K

No Reports on Form 8-K were filed during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RINGER CORPORATION

Dated: May 13, 1992

By________________________
Udo E. Schulz
President and Chief
Executive Officer

Dated: May 13, 1992

By________________________
Mark S. Robinow
Vice President-Finance
and Treasurer
(principal financial officer)

0 32369

12

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

92 14 5598 Q-35602 Washington, D.C. 20549

D9L:2265

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended April 3, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 33-440998-LA

BEST COPY AVAILABLE

SPARTA, INC.
(Exact name of registrant as specified in its charter)

Delaware	63-0775889
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

23041 Avenida de la Carlota, Suite 400, Laguna Hills, CA 92653-1507
(Address of principal executive offices)
(Zip Code)

(714) 768-8161
(Registrant's telephone number, including area code)

PROCESSED BY
12-11K
MAY 19 1992

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act or 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No___

As of April 30, 1992, the registrant had 7,519,081 shares of common stock, $.01 par value per share, issued and outstanding.

PART I

FINANCIAL INFORMATION

SPARTA, INC.

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

Item 1. Financial Statements

	Three months ended March 31	
	1992	1991
Sales	$ 19,661,000	$ 13,002,000
Costs and expenses:		
Labor costs and related benefits	11,382,000	7,577,000
Subcontractor costs	4,145,000	2,078,000
Facility costs	1,818,000	1,730,000
Travel and other	1,015,000	658,000
Interest expense	114,000	120,000
	18,474,000	12,163,000
Income before income taxes	1,187,000	839,000
Provision for income taxes	489,000	344,000
Net income	$ 698,000	$ 495,000
Earnings per share of common stock and equivalents	$ .09	$ .07

See accompanying notes to consolidated financial statements

SPARTA, INC.

CONSOLIDATED BALANCE SHEET

	March 31 1992 (Unaudited)	December 31 1991
ASSETS		
Current Assets:		
Cash	$ 49,000	$ 679,000
Accounts receivable	22,253,000	21,868,000
Prepaid expenses	466,000	307,000
Total current assets	22,768,000	22,854,000
Equipment and improvements, net	6,287,000	6,271,000
Other assets	1,707,000	1,470,000
	$ 30,762,000	$ 30,595,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accrued compensation	$ 3,877,000	$ 3,584,000
Accounts payable and other accrued expenses	4,392,000	4,227,000
Current portion of notes payable	311,000	327,000
Current portion of subordinated debt	1,193,000	1,197,000
Deferred income taxes	5,893,000	5,457,000
Total current liabilities	15,666,000	14,792,000
Notes payable	4,025,000	6,287,000
Subordinated notes payable	878,000	1,162,000
Deferred income taxes	265,000	265,000
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 25,000,000 shares authorized; 7,659,043 and 7,292,021 shares issued and outstanding	76,000	73,000
Additional paid-in capital	19,587,000	17,012,000
Retained earnings	16,559,000	15,861,000
Less:		
Treasury stock	(25,863,000)	(24,612,000)
Receivables from stockholders	(431,000)	(245,000)
Total stockholders' equity	9,928,000	8,089,000
	$ 30,762,000	$ 30,595,000

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	March 31	
	1992	1991
Cash flows from operating activities:		
Net income	$ 698,000	$ 495,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	456,000	380,000
Loss on sale of equipment	7,000	11,000
Increase in accounts receivable	(385,000)	(867,000)
Increase in prepaid expenses	(159,000)	(232,000)
Decrease in other assets	47,000	223,000
Increase (decrease) in accrued compensation	293,000	(464,000)
Increase (decrease) in accounts payable and other accrued expenses	165,000	(688,000)
Increase in deferred income taxes	436,000	79,000
Net cash provided by (used in) operating activities	1,558,000	(1,063,000)
Cash flows from investing activities:		
Capital expenditures	(458,000)	(1,175,000)
Other	(305,000)	11,000
Net cash used in investing activities	(763,000)	(1,164,000)
Cash flows from financing activities:		
Proceeds from issuance of stock	2,366,000	1,419,000
Tax benefit relating to stock plan	215,000	265,000
Purchase of treasury stock	(1,254,000)	(2,714,000)
Increase in receivables from stockholders	(186,000)	
Net (repayments) borrowing under line-of-credit agreement	(2,250,000)	2,350,000
Proceeds from new debt	141,000	1,114,000
Principal payments on debt	(457,000)	(291,000)
Net cash (used in) provided by financing activities	(1,425,000)	2,143,000
Net decrease in cash	(630,000)	(84,000)
Cash and cash equivalents at beginning of period	679,000	88,000
Cash and cash equivalents at end of period	$ 49,000	$ 4,000
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 138,000	$ 132,000
Income taxes	$ 5,000	$ 65,000

See accompanying notes to consolidated financial statements

SPARTA, INC.

Notes to Consolidated Financial Statements
(Unaudited)

Note A - Basis of Presentation

The accompanying financial information has been prepared in accordance with the instructions to Form 10-Q and therefore does not necessarily include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

The Company's fiscal year is the 52 or 53 week period ending on the Friday closest to December 31. The Company's last fiscal year ended on January 3, 1992; and, its first quarter ended April 3, 1992 and corresponding first quarter last year on March 29, 1991. To aid the reader of the financial statements the yearend has been presented as December 31, 1991 and the quarters ended as March 31, 1992 and 1991.

In the opinion of management, the unaudited financial information for the three-month periods ended March 31, 1992 and 1991 reflects all adjustments (which include only normal, recurring adjustments) necessary for a fair presentation thereof.

Note B - Receivables

Unbilled accounts receivable include $1,171,000 of costs incurred on projects for which the Company has been requested by the customer to begin work under a new contract or extend work under a present contract, but for which final contract negotiations or formal contracts or contract modifications have not been executed at March 31, 1992.

Note C - Income Taxes

Income taxes for interim periods are computed using the estimated annual effective rate method.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Consolidated sales for the three months ended March 31, 1992 increased 51.2% compared to the first quarter for the prior year. The source of revenue growth was primarily labor related revenues accounting for 63% of the increase. The remaining revenue growth came from the pass through of material and subcontractor costs on contracts. The growth in labor related revenues is in line with the growth in employees from 439 at March 31, 1991 to 540 at March 31, 1992. As in the past, substantially all the Company's revenues are from cost reimbursement, or time and materials contracts.

Facility costs for the three month period ended March 31, 1992 rose only 5% compared to the three month period ended March 31, 1991 as a result of better utilization of existing facilities that the Company currently occupies. Travel and other costs increased 54.1% during the current three month period which is in line with the increase in sales. Interest costs are not reimbursable under the Company's contracts. Interest expense for the three months ended March 31, 1992 and 1991 includes interest on the Company's bank line of credit and notes payables for the capitalized leases and stock repurchases. Interest expense decreased because of reduced borrowings under the bank line of credit agreement and a reduction in the prime rate of interest during the year.

The provision for income taxes for the three months ended March 31, 1992 and 1991 was 41% for both periods. This rate approximates the statutory rate for federal and state taxes which is the rate for the entire year that the Company expects to incur.

Liquidity and Capital Resources

The Company's primary sources of liquidity are funds provided by operations and the bank line of credit. The line of credit provides for borrowings up to $8,500,000 with all borrowings due June 1, 1993. In connection with the line of credit, the Company is required to comply with certain working capital and other restrictive covenants including restrictions on dividends. At March 31, 1992 and December 31, 1991 the amount outstanding under the line of credit was $3,800,000 and $6,050,00, respectively. The Company is actively monitoring accounts receivable with emphasis on collection activities and improving efficiencies in the receivable billing process.

During the three month period the Company continued to buy back its common stock. There are restrictions on the amount of stock the Company can buy back at one time. The Company's borrowing capacity plus cash flows from operations are expected to provide sufficient funds for the Company's operations and planned capital expenditures. Capital expenditures for the three months ended March 31, 1992 were $458,000.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-k

(a) Exhibits - See Exhibit index.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by the registrant during the fiscal quarter for which this report is filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPARTA, INC.

Date: May 14, 1992

Bruce D. Nye
Vice President and Chief
Financial Officer
(Principal financial and chief accounting
officer)

Exhibit Index

SPARTA, INC.

Quarter Ended March 31, 1992

Exhibit No.	Description of Exhibits	Sequential Page No.
1	Statement re: Computation of Per Share Earnings	

EXHIBIT 1

SPARTA, INC.

Exhibit to Consolidated Financial Statements
Computation of Per Share Earnings

(Unaudited)

	Three months ended March 31	
	1992	1991
PRIMARY		
Net income (Note 1)	$ 767,000	$ 556,000
Average shares outstanding	7,544,161	7,087,965
Dilutive stock options - based on the treasury stock method using the average established price	826,526	816,449
Total	8,370,687	7,904,414
Per share amounts	$ .09	$ .07
FULLY DILUTED		
Net income (Note 1)	$ 764,000	$ 556,000
Average shares outstanding	7,544,161	7,087,965
Dilutive stock options - based on the treasury stock method using the quarter end or exercise date established price if higher than the average established price	826,526	816,449
Total	8,370,687	7,904,414
Per share amounts	$ .09	$ .07

Note 1 - Net income has been adjusted for interest expense (net of tax) resulting from the assumption that a portion of the proceeds received under option exercise has been used to retire debt.

0·9671
Q351654

92 14 4410

13

RECD S.E.C

MAY 15 1992

153

Pg 2.226

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

PROCESSED BY
13-8-V
MAY 14 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

L3G

For Quarter Ended March 31, 1992
Commission File No. 04804

TENNANT COMPANY

Incorporated in Minnesota IRS Emp Id No. 410572550

701 North Lilac Drive
P.O. Box 1452
Minneapolis, Minnesota 55440
Telephone No. 612-540-1200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

4,913,364 shares outstanding at March 31, 1992

BEST COPY
AVAILABLE

0040F/4F

TENNANT COMPANY
Quarterly Report - Form 10-Q

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

TENNANT COMPANY AND SUBSIDIARIES - CONSOLIDATED STATEMENTS (Unaudited)
(Dollars in thousands)

EARNINGS (note 1)	Three Months Ended March 31 1992	 1991
Net sales	$48,803	$46,503
Less:		
Cost of sales (note 2)	27,140	26,086
Selling and administrative (note 2)	18,534	17,539
Profit from operations	3,129	2,878
Other income and (expense)		
Net foreign currency loss	(66)	(121)
Interest income	912	908
Interest expense	(79)	(190)
Miscellaneous income (expense), net	(185)	(496)
Total other income (expense)	582	101
Profit before income taxes	3,711	2,979
Taxes on income	1,260	1,124
Net earnings	$ 2,451	$ 1,855

PER SHARE		
Net earnings per share	$.50	$.37
Dividends per share	$.30	$.30
Average number of shares	4,916,000	4,980,000

Item 1 - Financial Statements (continued)

TENNANT COMPANY AND SUBSIDIARIES - CONSOLIDATED STATEMENTS (UNAUDITED)
(Dollars in thousands)

STATEMENTS OF CASH FLOWS (note 4)	Three Months Ended March 31 1992	Three Months Ended March 31 1991
Net cash flow related to operating activities	$ 3,960	$ 729
Cash flow related to investing activities:		
Acquisition of property, plant, and equipment	(3,110)	(2,580)
Proceeds from disposals of property, plant, and equipment	774	981
Settlement of foreign currency hedging contracts	(71)	(224)
Net cash flow related to investing activities	(2,407)	(1,823)
Cash flow related to financing activities:		
Net changes in current debt	131	1,488
Issuance of long-term debt	-	46
Payments to settle long-term debt	(49)	(94)
Principal payment from ESOP	337	142
Proceeds from employee stock issues	746	630
Repurchase of common stock	(170)	(38)
Dividends paid	(1,466)	(1,483)
Net cash flow related to financing activities	(471)	691
Effect of exchange rate changes on cash	23	30
Net increase (decrease) in cash and cash equivalents	1,105	(373)
Cash and cash equivalents at beginning of year	2,349	1,412
Cash and cash equivalents at end of first quarter	$ 3,454	$ 1,039

Item 1 - Financial Statements (continued)

TENNANT COMPANY AND SUBSIDIARIES - CONSOLIDATED STATEMENTS

(Dollars in thousands)

BALANCE SHEET

ASSETS	(Unaudited) March 31 1992	(Condensed from Audited Financial Statements) December 31 1991
Cash and cash equivalents	$ 3,454	$ 2,349
Receivables	36,674	39,462
Less deferred income from sales finance charges	(1,216)	(1,246)
Less allowance for doubtful accounts	(1,412)	(1,270)
Net receivables	34,046	36,946
Inventories (note 3)	24,667	22,533
Prepaid expenses	582	921
Deferred income taxes, current portion	3,027	3,279
Total current assets	65,776	66,028
Property, plant, and equipment	97,043	94,131
Less allowance for depreciation	(55,540)	(53,401)
Net property, plant, and equipment	41,503	40,730
Net noncurrent installment accounts receivable	4,277	4,376
Other assets	1,706	510
Total assets	$113,262	$111,644

LIABILITIES & SHAREHOLDERS' EQUITY

LIABILITIES	(Unaudited) March 31 1992	(Condensed from Audited Financial Statements) December 31 1991
Current debt	$ 335	$ 197
Accounts payable	9,897	9,773
Accrued expenses	20,247	22,894
Total current liabilities	30,479	32,864
Long-term debt	1,804	1,853
Deferred income taxes, long-term portion	314	314
Total liabilities	32,597	35,031
SHAREHOLDERS' EQUITY		
Common stock	1,842	1,825
Additional paid-in capital	1,772	-
Equity adjustment from foreign currency translation	5,141	3,000
Common stock subscribed	-	1,194
Unearned restricted shares	(243)	(111)
Retained earnings	88,221	87,236
Receivable from ESOP	(16,068)	(16,531)
Total shareholders' equity	80,665	76,613
Total liabilities and shareholders' equity	$113,262	$111,644

Item 1 - Financial Statements (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) The Company's Summary of Significant Accounting Policies and other Related Data and Summary of Stock Plans, Bonuses, and Profit Sharing is included in the Company's 1991 Annual Report filed as Exhibit (a) to the Company's annual filing on Form 10-K and is incorporated in this Form 10-Q by reference.

(2) Expenses

Engineering, research and development, and bad debt expenses were charged to operations for the three months ended March 31, 1992 and 1991, as follows:

	1992	1991
	(In Thousands)	
Engineering, research and development	$2,615	$2,316
Bad debts	$ 232	$ 141

The Company also makes accrual adjustments on a regular monthly basis for bonus and profit sharing expenses which are settled at year-end. This allows for a fair statement of the results for the interim periods presented.

(3) Inventories

Inventories are valued at the lower of cost (principally on a last-in, first-out basis) or market. The composition of inventories at March 31, 1992, and December 31, 1991, is as follows:

	March 31 1992	December 31 1991
	(In Thousands)	
FIFO Inventories:		
Finished Goods	$ 21,801	$ 21,092
All Other	18,964	17,673
LIFO Adjustment	(16,098)	(16,232)
LIFO Inventories	$ 24,667	$ 22,533

The category "All Other" includes production-related raw materials, parts and supplies, and work-in-process. The Company's accounting system does not permit a further breakdown of this category of inventories.

(4) Cash Flow

Income taxes paid during the three months ended March 31, 1992 and 1991, were $2,610,000 and $39,000, respectively. Interest costs paid during the three months ended March 31, 1992 and 1991, were $79,000 and $190,000, respectively.

Item 1 - Financial Statements (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Item 2

Management's discussion and analysis of financial condition and results of operation is included in Exhibit (a), attached, Report to Shareholders for the three months ended March 31, 1992, and is incorporated in this Form 10-Q by reference.

PART II - OTHER INFORMATION

Item 4 - Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Shareholders held on May 7, 1992, the following matters were submitted to a vote:

(a) Election of Directors

The following Directors were elected, each receiving a majority of all votes cast and a majority of the votes of all shares issued and outstanding and entitled to vote at the meeting:

Andrew P. Czajkowski
William A. Hodder
Janice Stoney

The following Directors each continued their term of office after the meeting:

Roger L. Hale
Vernon H. Heath
David C. Cox
Arthur R. Schulze, Jr.

(b) Adoption of Stock Incentive Plan

Adoption of the Tennant Company 1992 Stock Incentive Plan (the "Plan") was approved. Out of the 4,406,227 common shares represented, 3,951,454 voted in favor, 398,218 voted against, and 56,555 abstained.

A description of the Plan is included in the Proxy filed as Exhibit (e) to the Company's 1991 Form 10-K filing and is incorporated in this Form 10-Q by reference.

(c) Amendment to Restated Articles of Incorporation

An amendment to Article III of the Company's Restated Articles of Incorporation was approved. This amendment increased the number of shares of Common Stock which the Company is authorized to issue from 10 million to 15 million. Out of the 4,506,123 common shares represented, 4,092,148 voted in favor, 334,597 voted against, and 79,378 abstained.

Article III of the Company's Restated Articles of Incorporation is included in the Proxy filed as Exhibit (e) to the Company's 1991 Form 10-K filing and is incorporated in this Form 10-Q by reference.

Item 6(b)

A Form 8-K dated February 28, 1992, was filed reporting a change in certifying accountants.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TENNANT COMPANY

Date: 5-7-92

R A Snyder
Richard A. Snyder
Vice President, Treasurer and
Chief Financial Officer

Date: May 7, 1992

Richard M. Adams
Corporate Controller and
Principal Accounting Officer

TENNANT
COMPANY

LEADERSHIP
STRATEGIC PLANNING
EMPLOYEE EMPOWERMENT
CUSTOMER FOCUSED QUALITY
PRODUCT AND SERVICE QUALITY
CUSTOMER NEEDS
ANALYSIS AND INFORMATION

REPORT TO SHAREHOLDERS

FOR THE
THREE MONTHS ENDED
MARCH 31, 1992

To Our Shareholders:

Net earnings for the first quarter were $2.5 million, or 50 cents per share, an increase of 32 percent from last year's $1.9 million, or 37 cents. Net sales of $48.8 million were up 5 percent from the $46.5 million reported for 1991's first quarter. Both sales and earnings established record highs for the first quarter, excluding the effects of an accounting change reported in 1990.

After experiencing a disappointing finish to last year due to weakening economic conditions, we are pleased by the turnaround that appears to be taking hold this year. Sales in North America were up 4 percent on improving economic conditions in industrial markets. Commercial product sales declined somewhat from a strong first quarter last year. Overseas sales increased 8 percent in U.S. dollars (up 11 percent in local currencies) on improvement in European markets. A stronger U.S. dollar for the period decreased total Company sales by $600,000.

Profit from operations increased 9 percent on higher sales and improved profitability in the contract floor coatings business. During the first half of 1991, we incurred expenses related to operational changes in our contracting business. With these changes behind us, we were able to show an improvement in profitability, which contributed to the Company's overall increase in earnings.

The way the year is unfolding leads us to believe TENNANT can show consistent increases in quarterly sales and earnings. However, two cautionary notes are in order:

- Economic conditions in Germany and Japan have weakened in recent months. These are important markets for TENNANT that can have a significant influence on overall results.
- Circumstances unique to the early part of 1991 contributed to the strong percentage increase in 1992's first quarter net earnings. These included a relatively high effective tax rate, low other income, and a concentration of expense related to the contract floor coatings restructuring. Each of these factors, which combined to produce a weak earnings result for first quarter 1991, showed improvement later in the year.

For the longer term, we remain committed to our financial goals as we start a new economic cycle: 5 percent annual growth in real sales and 20 percent return on equity. We are better positioned to achieve these goals at the start of this cycle with a 16 percent return on equity in 1991 versus 9 percent in 1982, and broad-based growth strategies for industrial and commercial floor maintenance products directed at the world market.

Roger L. Hale

Roger L. Hale
Chief Executive Officer

April 16, 1992

TENNANT COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENTS *(Unaudited)*

(Dollars in thousands)

EARNINGS

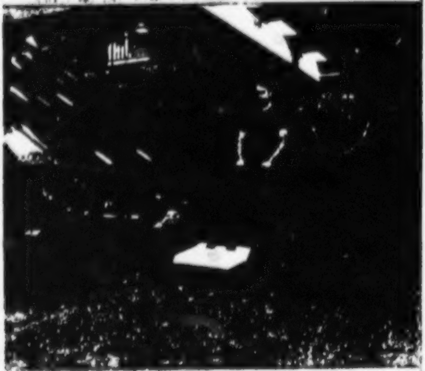
	Three Months Ended March 31		
	1992	1991	% Change
Net sales	$ 48,803	$ 46,503	5
Less:			
Cost of sales	27,140	26,086	4
Selling and administrative	18,534	17,539	6
Profit from operations	3,129	2,878	9
Other (income)	(582)	(101)	476
Profit before income taxes	3,711	2,979	25
Less: Taxes on earnings	1,260	1,124	12
Net earnings	$ 2,451	$ 1,855	32
Percent of net sales	5.0	4.0	
PER SHARE			
Net earnings	$ .50	$ .37	
Dividends paid	$ .30	$ .30	
Average number of shares	4,916,000	4,980,000	

BALANCE SHEET

	1992		1991	
	March 31	January 1	March 31	January 1
Assets				
Cash and cash equivalents	$ 3,454	$ 2,349	$ 1,039	$ 1,412
Net receivables	34,046	36,946	36,684	39,139
Inventories	24,667	22,533	25,841	24,440
Prepaids	582	921	617	660
Deferred income taxes, current	3,027	3,279	814	1,414
Total current assets	65,776	66,028	64,995	67,065
Net noncurrent installment accounts	4,277	4,376	4,299	4,381
Net property, plant, and equipment	41,503	40,730	42,619	42,588
Other assets	1,706	510	626	556
	113,262	111,644	112,539	114,590
Liabilities and Shareholders' Equity				
Current debt	335	197	8,478	6,986
Accounts payable	9,897	9,773	8,460	10,820
Accrued expenses	20,247	22,894	17,056	20,936
Total current liabilities	30,479	32,864	33,994	38,742
Long-term debt	1,804	1,853	1,949	1,995
Deferred income taxes, long-term portion	314	314	767	689
Shareholders' equity	80,665	76,613	75,829	73,164
	$ 113,262	$ 111,644	$ 112,539	$ 114,590

CONDENSED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	1992	1991
Net cash flow related to operating activities	$ 3,960	$ 729
Net cash flow related to investing activities	(2,407)	(1,823)
Net cash flow related to financing activities	(471)	691
Effect of exchange rate changes on cash and cash equivalents	23	30
Net increase (decrease) in cash and cash equivalents	1,105	(373)
Cash and cash equivalents at beginning of year	2,349	1,412
Cash and cash equivalents at end of first quarter	$ 3,454	$ 1,039



TENNANT continues to expand product offerings for a growing international marketplace with the introduction of the new, compact Model 110 Sweeper. The lightweight, easy-to-use machine does the work of four people with brooms. It can be used in a variety of areas, inside or out.

O 10275
Q-355611

92 14 4837 11

Q92-2265

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

■ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ____________

Commission file number: 0-18823

UNIVERSAL INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Minnesota (State or jurisdiction of incorporation or organization)	41-0776502 (I.R.S. Employer Identification No.)
5000 Winnetka Avenue North New Hope, Minnesota (Address of principal executive offices)	55428 (Zip Code)

(612) 533-1169
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X   No _______

On April 30, 1992 there were 4,893,328 shares of the registrant's $.05 par value Common Stock outstanding.

This document contains 11 pages.

[illegible] ED BY
MAY 18 [illegible]

1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

UNIVERSAL INTERNATIONAL, INC.
INDEX

PART I FINANCIAL INFORMATION

Page

Item 1. Consolidated Financial Statements:

Consolidated Condensed Statements of Operations for the three months ended March 31, 1992 and 1991 3

Consolidated Condensed Balance Sheets as of March 31, 1992 and December 31, 1991 4

Consolidated Condensed Statements of Cash Flows for the three months ended March 31, 1992, and 1991 5

Notes to Consolidated Condensed Financial Statements 6

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition . . . 7

PART II OTHER INFORMATION 10

Item 1. Legal Proceedings

Item 2. Changes in Securities

Item 3. Defaults Upon Senior Securities

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

UNIVERSAL INTERNATIONAL, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended	
	March 31, 1992	March 31, 1991
Net sales	$15,703,986	$15,708,553
Cost of goods sold	12,809,028	12,777,082
Gross profit	2,894,958	2,931,471
Selling, general and administrative expenses	3,283,495	1,747,082
Operating income (loss)	(388,537)	1,184,389
Other income (expense):		
Miscellaneous income (expense)	8,441	1,050
Interest expense, net	32 (15,594)	(167,796)
	(7,153)	(166,746)
Income (loss) before income taxes	(395,690)	1,017,643
Income tax provision (benefit)	(146,405)	377,000
Net income (loss)	($249,285)	$ 640,643
Net income (loss) per common share	($.05)	$.20
Weighted average number of common shares outstanding	4,607,614	3,277,402

See accompanying notes to unaudited consolidated condensed financial statements

UNIVERSAL INTERNATIONAL, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(unaudited)

	March 31, 1992 (unaudited)	December 31, 1991
ASSETS		
Current assets:		
Cash	$0	$542,829
Accounts receivable, less allowance for doubtful accounts of $300,000 at both dates	9,790,343	7,607,247
Inventories	21,575,240	17,937,322
Other current assets	700,207	478,410
Deferred income taxes	391,000	391,000
Total current assets	32,456,790	29,956,808
Equipment and improvements, net	2,445,705	2,369,413
Total assets	$34,902,495	$29,326,221
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Note payable, shareholder	$0	$266,400
Accounts payable	4,571,385	5,047,345
Accrued rent	298,250	327,045
Other	241,678	270,986
Total current liabilities	5,111,313	5,911,776
Deferred income taxes	103,041	109,000
Borrowings under revolving credit agreement	2,178,007	7,428,422
Total liabilities	7,392,361	13,449,198
Commitments and contingencies		
Shareholders' equity:		
Common stock, $.05 par value, 10,000,000 shares authorized; 4,893,328 and 3,893,328 shares issued and outstanding for 1992 and 1991, respectively	244,666	194,666
Additional paid-in capital	22,909,290	11,076,894
Retained earnings	4,356,178	4,605,463
Total shareholders' equity	27,510,134	15,877,023
Total liabilities and shareholders' equity	$34,902,495	$29,326,221

See accompanying notes to unaudited consolidated condensed financial statements

UNIVERSAL INTERNATIONAL, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended	
	March 31, 1992	March 31, 1991
Cash flows from operating activities:		
Net income (loss)	($249,285)	$640,643
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and amortization	73,383	24,822
Provision for inventory obsolescence	100,000	25,000
Deferred income taxes	5,959	(4,000)
Changes in operating assets and liabilities:		
Accounts receivable	(2,183,096)	(3,261,595)
Inventories	(3,737,918)	(3,542,087)
Other current assets	(221,797)	(30,949)
Income taxes payable		(199,000)
Accounts payable	475,960	2,791,698
Other accrued liabilities	58,103	178,502
Net cash used by operating activities	(6,758,735)	(3,376,966)
Cash flows from investing activities:		
Additions to equipment and improvements	(149,675)	(204,838)
Net cash used by investing activities	(149,675)	(204,838)
Cash flows from financing activities:		
Net change in bank borrowings	(5,250,415)	3,585,349
Payments of shareholder loans	(266,400)	
Sale of Common Stock	11,882,396	(3,545)
Net cash provided by financing activities	6,365,581	3,581,804
Net (decrease) increase in cash	(542,829)	0
Cash, beginning of period	542,829	125
Cash, end of period	$ 0	$ 125

See accompanying notes to unaudited consolidated condensed financial statements

1. Basis of Presentation

The financial statements included in this Form 10-Q have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to such rules and regulations. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's 1991 Annual Report and Form 10-K.

The financial statements presented herein as of March 31, 1992 and for the three months then ended reflect, in the opinion of management, all adjustments necessary for a fair presentation of financial position and the results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year.

2. Sale of Common Stock

In January 1992, the Company received net proceeds of approximately $11.9 million from the sale of one million shares of common stock in a private placement to institutional investors. The funds from the sale were used to eliminate borrowings under the Company's revolving line of credit, approximately $8 million at January 27, 1992.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth, for the periods indicated, certain items from the Company's operating statement data expressed as a percentage of net sales.

	Three Months Ended March 31,	
	1991	1992
	(unaudited)	
Net sales	100.0%	100.0%
Cost of sales	81.3	81.6
Gross profit	18.7	18.4
Selling, general & administrative expenses	11.1	20.9
Income (loss) from operations	7.6	(2.5)
Interest and other expense, net	1.1	0.0
Income (loss) before income taxes	6.5	(2.5)
Income tax provision (benefit)	2.4	(.9)
Net income (loss)	4.1%	(1.6%)

First Three Months of Fiscal 1992 versus 1991

Net sales for the first three months of 1992 decreased by approximately $4,000 over net sales for the first three months of 1991. This decrease resulted from lower sales in the Company's wholesale business during the 1992 period than occurred during the 1991 period. This reduction was somewhat offset by the revenues of the Company's retail business which was not in existence in the first quarter of 1991. The principal reasons for the reduction in revenues in the wholesale operation on a comparative basis, were the opportunistic nature of the wholesale business and the impact of the retail operations on the warehouse.

Gross profit as a percent of net sales decreased from 18.7% during the first three months of 1991 to 18.4% during the first three months of 1992. This decrease was the result of a larger provision for inventory obsolescence during the 1992 quarter versus the 1991 quarter ($100,000 vs. $25,000). In addition, some fluctuations in margin is typical in the wholesale operations due to the opportunistic nature of the business.

Selling, general and administrative expenses increased as a percentage of sales to 20.9% in the first three months of 1992 from 11.1% in the first three months 1991. This was primarily the result of the increased costs associated with developing the Company's retail infrastructure, the operation of its Only Deals stores and the write-off of certain accounts receivables. In addition, the selling, and administrative expenses in the wholesale business have increased since the first quarter of 1991, while the revenues in the wholesale operation were lower thus increasing the associated costs as a percentage of sales. Interest and other expenses decreased in the first three months of 1992 compared with the first three months of 1991. This decrease is principally the result of interest expense being nearly eliminated during 1992 as a result of the Company's private placement of common stock to institutional investors in January 1992.

The Company incurred a net loss of $249,000 during the three months ended March 31, 1992 while generating net income of $641,000 in the period ending March 31, 1991. The loss in 1992 was primarily the result of the increased costs associated with developing the Company's retail infrastructure, the operation of its Only Deals stores, increased levels of inventory for projected new store openings, and the write-off of certain accounts receivables.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1992 the Company had available a revolving line of credit of $15,000,000 compared to $11,000,000 at March 31, 1991. At March 31, 1992, borrowings under the line of credit were $2.2 million, leaving an availability of $12.8 million. This represents a decrease of $5.3 million in bank borrowings from the March 31, 1991 borrowings. In January 1992, the Company received net proceeds of approximately $11.9 million from the sale of 1,000,000 shares of common stock in a private placement to institutional investors. These funds were used to eliminate borrowings under the Company's revolving line of credit, which was approximately $8,000,000 at January 27, 1992. The remainder of the net proceeds were placed in an interest bearing account. Those funds, along with borrowings under the revolving line of credit, will be used primarily to fund the expansion of the Company's Only Deals stores in 1992.

Under its line of credit, the Company may borrow up to $15,000,000 on a revolving basis against a borrowing base derived from the level of qualifying accounts receivable and inventory through September 1993. The Company pays interest at either the bank's prime lending rate, as adjusted from time to time, or LIBOR plus 2.25%. The Company also pays a commitment fee to the bank of .5% on the difference between the total available line of credit and the average daily principal amount outstanding. The line of credit and related documents contain customary restrictions and covenants and requires, among other things, that the Company maintain certain levels of tangible net worth, pre-tax net income, and a prescribed debt-to-net worth ratio. The line of credit also restricts the Company's ability to declare cash dividends.

During 1992, the Company intends to control the growth in its wholesale operation and plans to open up to thirty Only Deals stores, depending on the availability of acceptable locations, and other operational considerations some of which are beyond the Company's control. Based upon an estimated capital requirement of $300,000 to open a retail location, the Company will require working capital in excess of $9,000,000 to achieve these goals. This capital will be required primarily to fund anticipated capital expenditures associated with the planned expansion, including leasehold improvements and store fixtures and equipment; the cost of acquiring additional inventory, both in-store and back-up; and overhead associated with the expansion. The Company believes that cash generated from the January 1992 private placement, as well as amounts available under its revolving line of credit, and the retention of future earnings, will be sufficient to meet its capital requirements during 1992.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

None.

(b) Reports on Form 8-K.

The Company filed one report on Form 8-K during the quarter covered by this report.

Report on Form 8-K dated January 27, 1992

This report described the sale of one million shares of the Company's common stock in a private placement to institutional investors, the net proceeds of which were approximately $11.9 million. In connection with the private placement, the Company granted the investors demand registration rights, which are the subject of the Company's Registration Statement on Form S-1 (Registration No. 33-47519) as filed with the Commission on April 28, 1992. This report also discussed the addition of two officers including a new Chief Financial Officer and a Director of Operations - "Only Deals", Inc.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSAL INTERNATIONAL, INC.

Date: May 14, 1992

By: Mark L Bartholomay

Mark L. Bartholomay
Chief Financial Officer

0 2850[redacted]

Q-35612 92 14 6957

R92-2765 Page 1 of 10

10

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992.

BEST COPY AVAILABLE

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ______________

Commission File Number: 001-10382

VALLEY FORGE SCIENTIFIC CORP.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA	23-2131580
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

136 Greentree Road, Oaks, Pennsylvania 19456
(Address of principal executive offices and zip code)
Telephone: (215) 666-7500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ____

At May 11, 1992 there were 7,783,430 shares outstanding of the Registrant's no par value Common Stock.

DQ 10-10

PROCESSED BY

MAY 18 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

VALLEY FORGE SCIENTIFIC CORP.

INDEX TO FORM 10-Q

March 31, 1992

Page Number

Part I - Financial Information

Item 1. Financial Statements:

Balance Sheets - March 31, 1992 and September 30, 1991. 1

Statements of Operations for the three and six months ended March 31, 1992 and 1991. 2

Statements of Cash Flows for the three and six months ended March 31, 1992 and 1991. 3

Notes to Financial Statements. 4

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. 5

Part II - Other Information 7

VALLEY FORGE SCIENTIFIC CORP.

Balance Sheets

	March 31, 1992 (Unaudited)	September 30, 1991 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 917,595	$ 1,064,183
Accounts receivable-trade	204,590	416,832
Inventory	925,834	770,536
Prepaid items and other current assets	34,245	21,157
Total current assets	2,082,264	2,272,708
Fixed assets (net)	156,049	170,385
Intangible assets:		
License agreements/Patents/Other	382,121	317,571
Goodwill	320,400	329,178
Other assets	3,822	3,822
Total other assets	706,343	650,571
Total assets	$ 2,944,656	$ 3,093,664
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 133,449	$ 114,393
Notes payable	45,297	118,128
Total current liabilities	178,746	232,521
Long term liabilities:		
Notes payable	6,882	11,731
Total long term liabilities	6,882	11,731
Total liabilities	185,628	244,252
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par, 10,000,000 authorized, 7,575,885 issued and outstanding at Sept. 30, 1991; and 7,717,930 at Mar. 31, 1992)	3,353,448	3,190,139
Retained earnings (deficit)	(594,420)	(340,727)
Total stockholders' equity	2,759,028	2,849,412
Total liabilities and stockholders' equity	$ 2,944,656	$ 3,093,664

VALLEY FORGE SCIENTIFIC CORP.

Statements of Operations
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
Sales - Medical Products and Accessories	$ 143,367	$ 290,905	$ 452,284	$ 601,689
Cost of Sales	(62,798)	(110,856)	(194,538)	(248,582)
Gross Profit	80,569	180,049	257,746	353,107
Other costs:				
Selling, general and administrative	207,497	224,228	393,693	422,456
Research and development (income) expense	46,796	71,845	95,401	110,215
Depreciation	8,386	12,127	16,741	24,254
Amortization	11,276	10,676	22,652	21,353
Total other costs	273,955	318,876	528,487	578,278
Income (loss) from operations	(193,386)	(138,827)	(270,741)	(225,171)
Other income:				
Interest income (expense)	8,371	6,921	17,048	17,704
Income (loss) before income taxes	(185,015)	(131,906)	(253,693)	(207,467)
Provision for income taxes	-	-	-	-
Net income (loss)	$(185,015)	$(131,906)	$(253,693)	$(207,467)
Earnings (loss) per share				
Primary earnings (loss) per share of common stock	$ (.02)	$ (.02)	$ (.03)	$ (.03)
Fully diluted earnings (loss) per share	$ (.02)	$ (.02)	$ (.03)	$ (.03)
Primary common shares outstanding	8,152,730	7,839,280	8,142,213	7,714,606
Fully diluted common shares outstanding	8,152,730	7,999,442	8,149,818	7,928,025

VALLEY FORGE SCIENTIFIC CORP.

Statements of Cash Flows
For the Six Months Ended March 31,
(Unaudited)

	1992	1991
Cash Flows From Operating Activities:		
Net income (loss)	$ (253,693)	$ (207,467)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,393	45,607
Changes in assets and liabilities, net of effect from		
Decrease (increase) in accounts receivable	212,242	(91,210)
Decrease (increase) in inventory	(155,298)	(196,803)
Increase (decrease) in accounts payable and accrued expenses	19,056	(29,212)
Decrease (increase) in other assets	-	-
Decrease (increase) in prepaid items	(13,088)	(28,527)
Net Cash Provided (Used) by Operating Activities	(151,388)	(507,612)
Cash Flows From Investing Activities:		
Increase in intangible assets - license agreements, patents, trademarks goodwill	(78,121)	(39,363)
Purchase of property, plant & equipment	(2,708)	(5,245)
Net Cash Provided (Used) by Investing Activities	(80,829)	(44,608)
Subtotal Net Cash Provided (Used) by Operating and Investing Activities	(232,217)	(552,220)
Cash Flow from Financing Activities:		
Net proceeds from exercise of warrants	163,309	90,652
Principal payments on notes payable	(77,680)	(88,752)
Net Cash Provided (Used) by Financing Activities	85,629	1,900
Net Increase (Decrease) in Cash and Cash Equivalents	(146,588)	(550,320)
Cash and Cash Equivalents beginning of period	1,064,183	1,355,799
Cash and Cash Equivalents end of period	$ 917,595	$ 805,479

VALLEY FORGE SCIENTIFIC CORP.

Notes to Financial Statements
March 31, 1992 and 1991

1. In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary to present fairly the financial position, as of March 31, 1992 and September 30, 1991 and the statements of earnings for the three months and six months ended March 31, 1992 and 1991 and the statements of cash flows for the six months ended March 31, 1992 and 1991.

The statements of earnings for the three months and six months ended March 31, 1992 and 1991 are not necessarily indicative of results for the full year.

While the Company believes that the disclosures presented are adequate to make the information not misleading, these financial statements should be read in conjunction with the financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1991.

2. Earnings per share are based on the weighted average number of common shares outstanding including common stock equivalents.

VALLEY FORGE SCIENTIFIC CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Results of Operations for the Three and Six Months Ended March 31, 1992 Compared to the Three and Six Months Ended March 31, 1991.

Sales of $143,367 and $452,284 for the three and six month periods ended March 31, 1992 were 51% and 25% less than sales in the corresponding three and six month periods of 1991. The sales decrease was primarily due to reduced shipments to Codman & Shurtleff, Inc. ("Codman") in the three months ended March 31, 1992. Shipments to Codman of the MALIS CMC-III bipolar electrosurgical systems from the first production order will commence in May 1992. The product mix of sales and sales to Codman, however, may fluctuate until Codman has fully implemented its marketing of both the MALIS CMC-III and the MALIS CMC-II bipolar systems in the neurosurgery markets. As of March 31, 1992, orders for delivery of products in the 1992 calendar year are in excess of $1,000,000.

On May 5, 1992, the Company entered into a distribution agreement with the Premier Medical Products division of Premier Dental Products, Inc. for the sale of the Company's bipolar electrosurgical generators along with associated reusable and disposable instrumentation and products for procedures performed in the physician's office. Initial shipments under this agreement are anticipated to commence in the fourth quarter of 1992.

The Company's gross profit margin decreased to 56% and 57%, respectively, for the three and six month periods ended March 31, 1992 from 62% and 59% for the corresponding periods in 1991. For the first three and six month periods of 1992, the Company's selling, general and administrative expenses decreased by 7% and 7%, respectively, and the Company's research and development expenses decreased by 35% and 13%, respectively, as compared to the corresponding periods in 1991. The research and development expenses of $46,796, and $95,401 for the three and six month periods ended March 31, 1992, reflect the costs for the development of a new bipolar generator for Premier Medical Products and a new generator for use in endoscopic, laparoscopic and general surgery.

Interest income (net of interest expense) increased by 21% to $8,371 in the three months ended March 31, 1992 and decreased by 4% to $17,048 for the six months ended March 31, 1992.

VALLEY FORGE SCIENTIFIC CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company had a loss of $185,015 and $253,693, respectively, in the three and six months ended March 31, 1992. Primary and fully diluted losses per share of $.02 and $.03 for the three and six month periods ended March 31, 1992 were constant with amounts for the corresponding periods in 1991.

Liquidity and Capital Resources

For the first six months of 1992, the Company used cash of $151,388 from operating activities. This amount reflects cash used to fund the Company's net loss of $253,693 and an increase in inventory and prepaid items of $155,298 and $13,088, respectively, reduced by cash provided by a decrease in accounts receivable of $212,242, an increase in accounts payable of $19,056 and depreciation of $39,393. The increase in inventory was primarily attributable to an increase in materials and parts to support shipments to Codman which will commence in May 1992. The Company believes that the cash flow deficiency from operating activities will be remedied by any one or more of the following: increased sales, collection of accounts receivable, proceeds from the exercise of Redeemable Warrants or borrowings.

Investing activities used $80,829 for payments associated with an increase in intangible assets and purchases of property, plant, and equipment. Financing activities provided $85,629 from net proceeds of $163,309 received from the exercise of Redeemable Warrants and underwriters warrants less principal payments on notes of $77,680. Cash decreased by $146,588 in the first six months of 1992, leaving a balance of $917,955 in the Company's cash and cash equivalents at March 31, 1992.

During the first six months of fiscal 1992, holders of 129,545 Redeemable Warrants exercised the warrants at a price of $1.30 per warrant and holders of 12,500 underwriter's warrants exercised the warrants at a price of $1.20 per warrant. The Company received gross proceeds of $183,409 and issued 142,045 shares of Common Stock as a result of the exercise of the warrants. At March 31, 1992, 402,070 Redeemable Warrants remained outstanding. From April 1, 1992 to May 10, 1992 an additional 65,500 Redeemable Warrants were exercised from which the Company received gross proceeds of $85,150.

The Company's deficit increased to $594,420 as a result of the net loss of $253,693 in the first six months of fiscal 1992.

The Company believes it has available all funds needed for operations, research and development and capital expenditures as they may arise in the future. However, should it be necessary, the Company believes it could borrow adequate funds at competitive rates and terms.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Securityholders

On March 4, 1992, the annual meeting of stockholders of the Company was held. Proxies for the meeting were solicited pursuant to Regulation 14 of the Securities Act of 1934, there was no solicitation in opposition to management's nominees as listed in the proxy statement, and all such nominees were elected pursuant to the vote of stockholders.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

The Registrant did not file any reports on Form 8-K during the quarter ended March 31, 1992

VALLEY FORGE SCIENTIFIC CORP.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VALLEY FORGE SCIENTIFIC CORP.

Date: May 13, 1992

By:
Jerry L. Malis, President

Date: May 13, 1992

By: Thomas J. Gilloway
Thomas J. Gilloway, Executive
Vice President (principal
financial and accounting officer)

0 15902
Q-35618

9
S92.2265

92 18 5399

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

BEST COPY AVAILABLE

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter ended May 31, 1992

Commission file number 2-92261

RECEIVED
09 1992
167
1/14

WESTBRIDGE RESEARCH GROUP

California
(State or other jurisdiction of incorporation or organization)

95-3769474
(I.R.S. Employer Identification No.)

2776 Loker Avenue West
Carlsbad, California
(Address of principal executive office)

92008
(Zip Code)

Registrant's telephone number, including area code: (619) 438-8639

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of a recent date: 8,788,544 shares of common stock, no par value, as of May 31, 1992.

PROCESSED BY
15 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WESTBRIDGE RESEARCH GROUP
(Registrant)

Warren Currier
On behalf of Registrant
and as its President and
Financial Officer

Date: June 30, 1992

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

WESTBRIDGE RESEARCH GROUP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	MAY 31 1992 (unaudited)	NOVEMBER 30 1991 (audited)
CURRENT ASSETS		
Cash	$ 231,647	$ 380,267
Trade accounts receivable, less allowance for doubtful accounts of $26,286 and $22,217, respectively	277,426	164,194
Inventory	60,698	66,908
Prepaid expenses and other current assets	27,767	18,847
Total Current Assets	597,538	630,216
EQUIPMENT AND IMPROVEMENTS	406,389	397,367
Less accumulated depreciation and amortization	[316,216]	[307,225]
Net Equipment and Improvements	90,173	90,142
PROCESSES AND FORMULAS, net of accumulated amortization of $2,530,702 and $2,492,924, respectively	566,666	604,445
OTHER ASSETS	331,270	326,270
TOTAL ASSETS	$1,585,647	$1,651,073

WESTBRIDGE RESEARCH GROUP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(continued)

LIABILITIES AND SHAREHOLDER EQUITY

	MAY 31 1992 (unaudited)	NOVEMBER 30 1991 (audited)
CURRENT LIABILITIES		
Accounts Payable	$ 17,431	$ 43,413
Accrued Expenses	216,929	239,111
Deferred Rent - Current Portion	24,661	26,521
Capital lease Obligations - Current Portion	2,402	2,402
TOTAL CURRENT LIABILITIES	261,423	311,447
Long-term debt	736,748	700,401
Notes Payable to related parties Net of current portion (including payable of $58,875 - 1992 and $44,521 - 1991)	346,761	333,521
Deferred rent	37,571	37,571
Capital Lease obligations, less current portion	11,868	11,868
TOTAL LIABILITIES	1,394,371	1,394,808
SHAREHOLDERS' EQUITY		
Common stock, no par value: Authorized 37,500,000 shares Issued and outstanding 8,788,544 shares and 8,788,544, respectively	8,558,342	8,554,812
Paid in Capital - Warrants	95,000	95,000
Accumulated deficit	[8,462,066]	[8,393,547]
TOTAL EQUITY	191,276	256,265
TOTAL LIABILITIES & EQUITY	$1,585,647	$1,651,073

See management's discussion and analysis of financial condition and results of operations and notes to consolidated financial statements.

WESTBRIDGE RESEARCH GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

	THREE MONTHS ENDED MAY 31		SIX MONTHS ENDED MAY 31	
	1992	1991	1992	1991
REVENUES				
Agricultural product sales	$ 440,951	$ 280,415	$ 618,417	$ 419,096
Research and development related party	288,121	184,638	418,556	285,737
	729,072	465,053	1,036,973	704,833
COSTS AND EXPENSES				
Cost of sales	106,180	44,159	159,518	89,268
Research and development	30,066	29,913	58,914	66,219
Selling	135,788	58,307	194,362	123,853
General and administration	98,396	87,220	138,879	134,501
Royalties	303,286	194,360	440,586	300,776
Interest expense, net	23,123	12,677	50,547	23,807
Amortization of formula	18,889	18,889	37,778	37,778
Other expense	[4,012]	[4,910]	[2,110]	[4,910]
TOTAL COSTS AND EXPENSES	$ 711,716	$ 440,615	$1,078,474	$ 771,292
Net Profit (Loss) from continuing operations	17,356	24,438	[41,501]	[66,459]
Net Profit (Loss) from discontinuing operations	[25,307]	[20,570]	[27,019]	76,110
Combined Net Profit (Loss)	[7,951]	3,868	[68,520]	9,651
Net Profit (Loss) per common share:				
Gain before discontinued operations	.002	.003	[.005]	[.008]
Loss from discontinued operations	[$.003]	$.002	[$.003]	$ .009
Net Profit (Loss) per common share	[$.001]	$.001	[$.008]	$ .001
Shares used in computation of net loss per common share	8,788,554	8,788,544	8,788,554	8,788,544

See management's discussion and analysis of financial condition and results of operations and notes to consolidated financial statements.

WESTBRIDGE RESEARCH GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED MAY 31	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Profit (Loss)	$ [68,520]	$ 9,651
Adjustments to reconcile net profit (loss) to net cash used by operating activities:		
Depreciation and amortization	46,769	44,499
(Increase) Decrease in trade accounts receivable	[113,231]	[154,515]
(Increase) Decrease in inventory	6,210	16,333
(Increase) Decrease in prepaid expenses	[13,920]	[24,655]
Increase (Decrease) in accounts payable	[25,981]	[45,927]
Increase (Decrease) accrued liabilities	[22,181]	[20,588]
Increase (Decrease) in deferred rent	[1,861]	[1,861]
Net cash flows used in operating activities	[192,715]	[177,063]
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Additions to property and equipment	[12,955]	-0-
Disposal of equipment, net	3,933	8
Net cash flows provided by (used in) investment activities	[9,022]	8
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in short-term debt	-0-	1,779
Increase (Decrease) LT debt	49,587	120,177
Proceeds from the issuance of common shares, net	3,530	-0-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:	53,117	121,956
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	[148,620]	[55,099]
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	380,267	119,550
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 231,647	$ 64,451

See management's discussion and analysis of financial condition and results of operations and notes to consolidated financial statements.

WESTBRIDGE RESEARCH GROUP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Basis of Presentation:

The consolidated balance sheet as of May 31, 1992, the consolidated statement of operations for the three-month and six-month periods ended May 31, 1992, and the consolidated statement of cash flows for the three-month* and six-month periods then ended have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments except as noted in management's discussion and analysis of financial condition and results of operations) necessary to present fairly the financial position, results of operations and changes in cash flows have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the 1991 Annual Report on Form 10-K. The results of operations for the quarter ended May 31, 1992, are not necessarily indicative of the operating results for the full year.

B. Subsequent Events:

None

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations:

Net product sales, from agricultural products, for the second quarter were $440,051 and compared against the prior year's second quarter increased $160,536, or 57.2%, and for the six-month period were $618,417, an increase of $199,321, or 47.5%.

Research and development revenues, which represent revenues recognized pursuant to Westbridge Biosystems Ltd., a limited partnership's research and development contract increased $103,483 for the current quarter, or 56%. For the six month period the revenue increased $132,819, or 46.5%, attributable to the increased agricultural products sales. Total revenues increased $264,019 for the quarter and $232,140 for the first six months. As of May 31, 1992, the unpaid balance of notes receivable from the Westbridge Biosystems Ltd., Research partnership, entirely offset by deferred revenue in the financial statements, was $ 6,529,890.

---

* **NOTE:** Includes February Consolidated Statement of Cash Flow.

Total costs and expenses for continuing operations, for the period increased $271,101, or 61.5%, over the prior year's quarter, and increased $307,182, or 39.8%, for the six months, as a result of increased sales over the prior year's cuarter and six month period.

Cost of sales as a percentage of product sales increased to 24.1% for the quarter as compared to 15.8% for the same quarter of the prior year, as a result of additional personnel and increased cost of employee benefits. Cost of sales from continuing operations for the six month period this year was 25.8% as compared to 21.3% a year ago. This increase is due to conversion from a fixed cost to a commission basis which fluctuates with volume.

Research and development expenses from continuing operations increased $153, or .5%, over the prior year's second quarter and decreased $7,305, or 11%, for the six month period due to continued reduction in contract research.

Selling expenses from continuing operations for the quarter increased $77,481, or 132.9%, and increased $70,509, or 56.9% for the six months, as a result of increased commissions.

Net interest expense for the second quarter 1992 was $23,123, and $50,547 for the six month period compared to $23,807 one year ago as a result of borrowings made on the Regulation D Offering whereby the Company incurred long-term debt. (See discussion in Form 10-K ended November 30, 1991). Amortization expenses remained the same for the quarter at $18,889 and $37,778 for the six month period.

General and administrative expenses from continuing operations increased $11,175 or 12.8% in the current quarter, and $4,378 or 3.2% for the first six months.

Net profit from continuing operations for the period was $17,356, or $.002 per share, as compared to a profit of $24,438, or $.003 per share in the second quarter of the prior year. Net loss for the six months was $41,501, or $.005 per share, as compared against a net loss of $66,459, or $.008 per share for the prior year.

Liquidity and Capital Resources:

The Company has no material commitments for capital expenditures.

As a result of a profitable first six months and long-term debt that was secured during the first quarter 1991, the Company's working capital was improved $17,346 for the second quarter of 1992, resulting in a positive working capital of $336,115 for the six month period as compared to $318,769 at the prior fiscal year end.

Impact of Inflation

The Company does not believe inflation has had a significant effect on its operations.

PART II - OTHER INFORMATION

ITEM 1. NOT APPLICABLE

ITEM 2. NOT APPLICABLE

ITEM 3. NOT APPLICABLE

ITEM 4. NOT APPLICABLE

ITEM 5. NOT APPLICABLE

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. NOT APPLICABLE

B. NOT APPLICABLE